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Proof Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Local government and cost shifting

TUESDAY, 5 NOVEMBER 2002

ALICE SPRINGS

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
Tuesday, 5 November 2002

Members: Mr Hawker (*Chair*), Ms Burke (*Deputy Chair*), Mr Albanese, Ms Gambaro, Mr Griffin, Mr Peter King, Mr Latham, Mr Nairn, Mr Somlyay and Dr Southcott

Members in attendance: Mr Albanese, Ms Gambaro, Mr Griffin, Mr Hawker, Mr Peter King and Mr Nairn

Terms of reference for the inquiry:

To inquire into and report on:

Cost shifting onto local government by state governments and the financial position of local government. This will include an examination of:

1. Local government's current roles and responsibilities.
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.
3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.
4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.
5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.
6. The findings of the Commonwealth Grants Commission <http://www.cgc.gov.au/Review> of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee. The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

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Committee met at 2.59 p.m.**BOTTRALL, Mr Roger, Acting Chief Executive Officer, Alice Springs Town Council****PETERSON, Mr Eric, Director, Corporate Services, Alice Springs Town Council**

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Economics, Finance and Public Administration and welcome everyone here today, particularly those from the conference who have decided to come along. I hope you find it very worth while. As you would all be aware, through this inquiry we are aiming to achieve a rationalisation of roles and responsibilities between the levels of government, better uses of resources and the delivery of better quality services to local communities. The issue of local government and cost shifting is of great interest to local councils and communities in all parts of Australia. We have received over 300 submissions to the inquiry already and we expect a few more still.

The committee are pleased to be able to hold this public hearing in Alice Springs during the National General Assembly of Local Government. We have held hearings already in Western Australia, the Northern Territory, the ACT and South Australia. In the new year we plan to go to New South Wales, Victoria, Tasmania and Queensland. Today we will be hearing the views of local government representatives from a number of states and from the Northern Territory. It is very timely, given that the conference is here, that we are able to have representatives not only from the Territory but also from other states.

I welcome representatives of the Alice Springs Town Council. I remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Would you like to make a short statement before I invite members of the committee to ask questions? We have your submission, but I thought you might like to highlight a couple of points from it.

Mr Bottrall—I would like to go over our submission briefly and then certainly we would invite questions. I apologise first by saying that I was not the author of that submission; our previous CEO was, but he is no longer here. Since about two weeks ago I have been acting CEO. I am winging it a bit here today, but I will do my best to present the submission that you received. In saying that, it will probably be a very short presentation and I invite questions.

Our role in local government is vested in us under schedule 2 of the Local Government Act and incorporates the normal core responsibilities of local government. However, we do not have control over water supply, sewerage and town planning. Not to have that responsibility may seem a bit strange to people from other states, because we consider that sort of responsibility a fundamental issue in the development of the local community. It will be a big devolution of responsibility and obligations to the local community if we ever get town planning responsibilities.

Under the current funding arrangements we receive FAGs. They are distributed through the Northern Territory government on recommendation by the Grants Commission. The NT does not have such a large population centre as Brisbane that can attract many millions of dollars by way of FAGs. In applying the minimum grant, Brisbane has the capacity to contribute close on

\$30 million per year for redistribution to disadvantaged councils. In the Territory we do not have that sort of population base, so we do not attract those extra funds that can be redistributed to less advantaged councils. A good example of that would be Alice Springs. With a population of about 29,000, its FAGs for 2001 were \$932,000. Looking at equivalent towns, Broken Hill, with a population of 20,000, received FAGs worth \$2,388,000 and Albany received \$1,966,000. On a per capita basis, Alice Springs gets \$31, Albany gets \$66 and Broken Hill gets \$114. So there is certainly a disproportionate flow of FAGs between similar towns in different states.

In addition to the low FAGs grants received by the NT government the distribution is also disproportionate, favouring community councils. These councils are generally from Aboriginal communities that have special needs and have very little capacity to raise rates. We believe that it is important that funds do go to these communities but we also believe that maybe there should be some special funding outside FAGs that could assist those communities with their special needs. This would free up some of the money for the municipal councils in the Territory. Eric has got some figures on the disproportionate way that the FAGS grants are distributed in the Territory.

Mr Peterson—We would question the use of NT Grants Commission funding arrangements as a mechanism for addressing the needs of community councils. Community councils represent, by and large, Aboriginal communities. Some are constituted under federal legislation before self-government of the Territory and others are constituted under the community government councils of the NT Local Government Act. In the entitlements announced for the financial year 2002-03, six municipal councils in the NT which represent 80 per cent of the population only received 45.5 per cent of the total entitlement. This includes both the FAGs component and the roads component, where population and road length are the major determinants of this funding. Similarly, in 2002-03 entitlements the six municipal councils received an overall reduction of 3.1 per cent compared to the previous year while community councils received an overall increase of 10 per cent compared to the previous year. The total entitlement increased by 3.6 per cent compared to the previous year.

Mr Bottrall—So you can see that, with the little amount that we do receive through the NT distribution, we certainly do not get anywhere near enough to deliver the services that we are expected to deliver, especially given that Alice Springs is normally made up of people from other centres in Australia and their expectations have been developed through their associations with councils down south. It is very hard to live up to those expectations when we only get a very small proportion of that funding.

Other funding that we receive is the roads funding. That is developed on a per kilometre basis, and I do not think we have too many problems with that. We received the Roads to Recovery money, which is a great initiative that has really helped out the Alice Springs Town Council. We have had one successful project done already. We took the initiative in the first year and spent a lot more on a particular project than we were funded for and, luckily, we actually got the full funding for it for that year. That was great. We still have two projects to do, which will bring some areas in our road system which were not up to scratch back up to the general standard of our roads—which, I must add, is fairly good—and we are very grateful for that.

Rates make up the other component of our funding. We have an issue about benevolent institutions in the rates component, which of course are exempted from rates. But in Alice

Springs, there are many non-profit Aboriginal organisations that invest their money in properties in Alice Springs. There is a very large shopping centre that is owned by an Aboriginal organisation and there are many stores around the place that are owned by non-profit Aboriginal organisations, and although some of them still pay rates there is a question as to whether or not they need to. So there could be an increased reduction in rates in Alice Springs, which will hurt the council very much.

Turning to the capacity of local government, the Alice Springs Town Council is the largest council in the region and the town acts as a service centre for a vast proportion of inland Australia. Although the town and its services are used by the whole region, only the ratepayers of Alice Springs contribute. Council has capacity to provide services to regional community councils. We can give examples of where we have shared our resources and capacity with our neighbours. For instance, we helped to set up the Tennant Creek roads assets management system last year on a fee-for-service-basis. We currently are engaged in negotiations with the West MacDonnell Aboriginal community regional council, which I think is very similar to the Tiwi concept. We are looking at sharing resources such as financial services and purchasing power with them and are in the throes of discussing that as they develop. We are also acting in an advisory capacity in the development of their governance and other programs.

We are also the first council to get onto the National Aboriginal Health Strategy, NAHS, panel, which delivers project management services. We regard that as a good way of getting to know our community council neighbours, developing relationships and MOUs with them and acquiring on a fee-for-service basis finance that will help us to provide that capacity. In doing that we develop our own resources, and the spin-off is that we are able to provide more resources for the town. So we are looking at that new initiative at the moment. We are on the panel but we have not tendered yet because we need to consider competition issues in that regard, and we are going down that track at the moment.

We have developed a training package for our outside work force for which we received a local government training initiative from the funding body for education in the Northern Territory. We received \$100,000 to put in place the new local government training package for the operational works pathway. It has been running for two years now and has been pretty successful. We are the only council in Australia to implement that at this stage. In doing that we also attracted another Commonwealth grant for a workplace language and literacy program, the WLL. Through that we now have permanent staff to support the program and to support other training requirements in our council.

Another initiative in capacity building that gained us funds was a joint submission to provide an organic recycling project in Alice Springs. We initially put in a proposal to Environment Australia through its organic recycling initiative and received a considerable amount of money—over \$300,000—to buy capital equipment for that. That is just about to come to fruition. We have got it all up and running and the Deputy Prime Minister will be opening that tomorrow afternoon. We also acquired funding of over \$200,000 for training through another Commonwealth government grant initiative. This was done through the MOU that we have developed with the Tangantyre Council, which manages the 18 town camps within the Alice Springs town boundary.

Mr Peterson—There are five specific service issues I would like to bring to the committee's attention. First of all, over the last five years, library funding received from the Territory

government has fallen seven per cent from about \$507,000 in 1997-98 to \$471,000 at the moment. This has occurred at a time when there has been an expansion in library services, and the reduction—although seven per cent—would be more like 25 per cent in real terms. The council has reduced library expenditure to recognise the reduced level of government support.

In relation to environmental health, there is concern that the net council contribution to support this program, which was estimated at \$23,000 in 1997-98, has increased to \$70,000 in the current 2002-03 estimates. This is the only council in the NT which provides environmental health services under an agreement with the NT government.

In relation to human services, the council has used community organisations to provide more cost-effective services in the area. For instance, where a council facilitates the provision of childcare facilities in conjunction with support from the Commonwealth or establishing facilities, the facilities are managed by local community organisations. There is also a high cost for antisocial behaviour in Alice Springs. For instance, the lawns you may have noticed in front of the Civic Centre here have a litter patrol eight times per day. I think that is far in excess of what would normally be associated with maintaining civic greens and facilities.

In relation to planning and building control, reference has been made to the council not having responsibility for town planning control. Town planning in the NT is administered by an NT government agency called the Development Consent Authority. The council cannot regulate or control planning issues within the community. It can only negotiate with this authority. There have been issues of concern in the past such as the contributions applying by developers to the provision of carparking spaces and the like.

In relation to economic and regional development, your attention is drawn to the NT Local Government Act. Schedule 2, which prescribes the functions of local government, does not include economic and regional development. This would explain why, for instance, in the early 1990s, when the council did have an active involvement, this council has effectively withdrawn from this role that was referred to in our submission.

CHAIR—Thank you both very much for those words. You talk about the non-rateable properties. I think you have estimated the value of the rate revenue forgone is \$1.2 million. You have also talked about the fact that you see quite a lot of the FAGS money being given to communities, not so much to the council. Do you provide services to the communities and, if so, do you charge for those services?

Mr Bottrall—I touched on the NAHS project that we are looking at doing, and that is on a fee-for-service basis. That will be providing project management services to communities on a fee-for-service basis. We have not actually tendered on it yet—we are still getting our house in order to do that—but we are on the panel.

We have done one NAHS project within the town by which we have agreed to take over all the town camp roads on the basis that they will be developed up to the standard of our own network. In doing that, NAHS provided us with money—nearly \$800,000—to upgrade those roads and we project-managed it, so we received the fees for that. Other than that we have not done anything outside our own boundaries as far as fee for service is concerned but there are certainly some initiatives on the cards at the moment to do that.

Mr NAIRN—Just on non-rateable land as well, you mentioned benevolent societies not paying rates. I understand that benevolent organisations like the power and water authority—or whatever they are called these days; the power and water-something, I think they are called—do not pay rates either but, under national competition policy, the power and water authority would have to include things like rates in their costings et cetera. Is there anything happening in that respect?

Mr Bottrall—Traditionally they have been a government department and government departments just do not pay rates. But they have certainly moved away from that traditional role and, in doing so, we would be happy to receive some rates from them.

Mr NAIRN—I understand from other evidence given to the committee in Darwin that they actually show an amount for rates on their balance sheet or their profit and loss sheet et cetera—which they have to do. So effectively they are paying rates to the NT government but the NT government is not passing them on. Is this not something that councils overall—the Local Government Association of the Northern Territory—have taken up?

Mr Bottrall—We have not personally but I am sure that LGANT have been looking into that. I have not talked to them about it.

Mr NAIRN—Are organisations like that included in the figures that you mentioned in your submission? Are they part of the government owned properties?

Mr Bottrall—Yes, that is correct.

Mr GRIFFIN—When you look at the issue of coordination between levels of government and your experience from a council point of view, are there particular criticisms or strengths of current processes or any particular things you could suggest that would make things work better from your point of view?

Mr Bottrall—On a local basis, we work quite well between spheres of government. We have a good local network both at the Commonwealth and the NT government level. I think that there is probably, more at a state level, room for improvement and we are already talking about partnerships with the NT government. The minister came down and talked to council with regard to setting up some partnership agreements, and we look forward to doing that because that will certainly streamline our services and ensure that we are providing the best services for the community and not duplicating services.

Mr GRIFFIN—What sorts of partnerships did you talk about? What sorts of things in particular?

Mr Bottrall—We have not got to that stage yet. It was just an offer that was made in general terms and we have not really got to a point where we have determined how these partnerships will be made up and what sorts of things they will involve.

Mr GRIFFIN—From your point of view, do you believe there are certain tasks that are currently undertaken by the federal or state government that you could perform better locally?

Mr Bottrall—I have already touched on planning and I think planning is a core issue for the development of a community. Having that responsibility would certainly be better for the community—for it, rather than a bureaucracy, to make its own decisions. The regional development that Eric talked about is another area.

Mr GRIFFIN—It has been suggested in some quarters that things like policing could actually come down to a local government level. Do you have a view on that?

Mr Bottrall—Yes, we touched on that a bit last year. At the moment, we are conducting an investigation into security cameras in our mall. We have a security issue within the central area. At one stage, we looked at providing a security service for the central area as a supplement to the police and in lieu of cameras. But we are having a look at cameras first and then we will see what other measures can be incorporated into an overall security plan for the central area. We have looked at it, but we are investigating cameras at the moment.

Ms GAMBARO—In your submission, you spoke about a grant of \$750,000 for a roads upgrade project for the town's 18 town camps. Can you outline to the committee the types of services you have to provide for these town camps and what drain on resources occurs? You touched on that in your submission, but it is very difficult for someone who represents a city to understand how the town outreach centres work.

Mr Bottrall—The town camps are peculiar, because to us they are just one allotment and whatever happens within that allotment is the town camp's issue. Until very recently—as we have now taken over the road network within the town camps—we had very little formal responsibility for anything inside that boundary. So they are a town within a town, basically, and they look after their own services, roads, open space, animal control and so on. There are issues of waste disposal; they use our dump but they do not have to pay for it—or they did not until we put a charge on the entry to the landfill. Until then, it was a free service and there was a service as part of the rates. They did not pay the rates, but they used our landfill. There were disparities, but we have now closed that door by putting a charge at the entry to the landfill. In other areas, we would like to work with them. We have an MOU with the council to ensure that a lot of these initiatives are worked through by both of us and that we end up with a win-win situation. The roads are the first example of that. They have given us charge of the roads and we have upgraded them, done the project management and received a fee for service.

Ms GAMBARO—What other priority areas do you see in the future?

Mr Bottrall—For Tangantyre?

Ms GAMBARO—For working together with the camps.

Mr Bottrall—We put a subcommittee together under the steering committee from the MOU to look at a regional bus service. We have a lot of antisocial behaviour in town—illegal camping in the rivers, littering—that comes from that camping. We could put on a lot more officers to police it or we could look at putting in initiatives at the other end to prevent it. One of my plans, through this steering committee, is to set up a regional bus service that will provide communities with access both to town and out of town. At the moment, they get stranded in town, they stay, they do not have any money and they end up camping in the Todd. Out of that

comes all of those antisocial problems. One of the big initiatives—in conjunction with Tangantyre Town Council—we are going to look at is trying to develop a service.

Ms GAMBARO—In your submission, you mentioned that it is very difficult to attract people in the environmental, health and human services areas and that you would like to see some more regional strategies with all levels of government. How do you see that working, for instance?

Mr Bottrall—With the environmental area, we are the only council that provides the service. It is normally an NT government service in all other areas. We provide it on a fee-for-service basis, so we have a service level agreement with the NT government, the health department, and we have been doing that for quite a few years now. We have a problem in that our conditions of employment and the rates of pay that we can pay ours under the service level agreement are not compatible with those in the NT government, so we are forever getting good people and then losing them to the NT government. That is an anomaly that we need to fix up, and it will probably come through appropriate fees received from the NT government to be equal to our counterparts in the department of health.

Ms GAMBARO—Thank you very much.

Mr NAIRN—We have asked a number of councils whether they would support some system of accreditation for delivery of service so that, if the council is contracted by either the federal or state government to deliver a particular service, they could demonstrate that they could do that to a particular level. Would Alice Springs Town Council be interested in such a system?

Mr Bottrall—Can you give an example of how that would work?

Mr NAIRN—For any particular service, whether something in the health or environmental areas, that might normally be delivered by the Territory government or the Commonwealth government, that might further down the track be delivered by council, but in a fee-for-service type situation—that is, direct funding—so they would need to demonstrate that they could deliver that to a defined quality assurance level, for instance.

Mr Bottrall—Yes, no problems. We do that already. In the environmental health area we have a service level agreement with the NT government. As far as child-care centres are concerned, we have entered into a service agreement with the Commonwealth with regard to providing facilities for three child-care centres in Alice Springs. There are examples of that already, and we have no problem in entering the regime, as long as they are equitable.

Mr KING—Mr Peterson, I think you put some figures on what you said was cost shifting for the first time in this submission, and you mentioned library services having reduced from 507 to 478—a seven per cent drop over five years. Looking at environmental health, your submission says that you provide those services under an agreement with Territory health, so why wouldn't you simply provide the services in accordance with the agreement? Where is the cost shifting involved there?

Mr Bottrall—There are community pressures on the services, and the service increases over time. When the agreement was made we could stick to the agreement, but we are looking after

our community and there are some expectations out there that we have to realise. If we went to the letter of the law we probably could stick to our service level agreement.

Mr KING—No, to the letter of the agreement.

Mr Bottrall—Yes, to the letter of the agreement. However, we have another responsibility, and that is to our community.

Mr KING—So why don't you just amend the agreement?

Mr Bottrall—That is easier said than done.

Mr KING—You said you do not play a major role in the delivery of human services, but Mr Peterson mentioned them. Do you have a figure on the cost shifting there?

Mr Peterson—In terms of the management of child-care centres or in regard to litter collection?

Mr KING—You mentioned human services as an example of cost shifting in your case, yet you say that you do not play a major role in the delivery of those services. You did not put a figure on the cost shifting involved, and I wonder what your point of view is on this. What does your budget say, for example?

Mr Bottrall—I do not quite understand where you are coming from.

Mr KING—I am trying to find out what is your complaint about cost shifting in relation to human services. It is not very obvious from your submission. You mentioned planning and roads. It appears under the Northern Territory arrangements that you do not have any responsibility for planning. Is that right?

Mr Bottrall—No direct responsibility, no.

Mr KING—If you look at the whole of the submission, the only cost shifting involved for your council is a reduction of some \$40,000-odd over five years for library services. It is not really a significant issue for you, is it?

Mr Peterson—Certainly the library has been identified very strongly in the council's budget processes in recent years as an area where the level of government support has not met community expectations of service delivery, and the service has expanded. I accept what you say—that in terms of general human services the council does not have a prominent role, as you perhaps would expect of councils in the states with a lot of other types of services. Where the council has sought to pass on those pressures, we have integrated with, say, community organisations to facilitate the actual operating delivery of the service. I think competitive tendering in Victoria has shown, for instance, that community organisations are structured more cost-effectively to deliver these services, and comply with competitive neutrality and so on, than councils. Human services are probably not a major area of cost shifting in terms of impact on this council.

Mr KING—Your complaint about the FAGs is that you get \$31 a head, whereas Albury gets \$66 a head and Broken Hill gets \$114 a head, and that too much money goes to the Aboriginal communities—

Mr Peterson—I do not think too much money goes to the Aboriginal communities. I think they have very real problems, and the levels of their grants are very small compared to ours—but please carry on.

Mr KING—I have not talked to the FAGs people about this, but perhaps the reason for that is that the pressure on their services has grown compared to the pressure on your services in relation to the areas that you deliver in—having regard to the fact that your services are substantially less than, say, some of the more traditional councils.

Mr Peterson—The funding is based on a formula approach. I do not know that it necessarily recognises all the degrees of difficulty incurred by a council in delivering services, particularly if you recognise population as a major determinant. Then it follows that the basic part of the grant would relate to population and population services.

CHAIR—I think we might wind up there. Thank you very much, Mr Bottrall and Mr Peterson. If there is anything you would like to follow up in relation to the cost-shifting aspect, please do.

[3.39 p.m.]

CIVITARESE, Alderman Jean, Alderman, Tennant Creek Town Council

DOUGALL, Mr Michael, Chief Executive Officer, Tennant Creek Town Council

KINRAID, Alderman Sharon, Alderman, Tennant Creek Town Council

SHARPLES, Alderman Barry, Deputy Mayor, Tennant Creek Town Council

CHAIR—I welcome members of the Tennant Creek Town Council. I remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House, and the giving of false or misleading evidence is a serious matter. We have received your submission—a very comprehensive submission, I might say. Is there anything, very briefly, that you would like to add, or might we move straight to questions?

Mr Dougall—I would like to add a couple of things in support of some comments made by the witnesses from Alice Springs Town Council. I would like to reiterate that one of our major issues is the per capita formula regarding the grants. Looking at the grants we have received this year in terms of federal assistance, we saw a population increase this year but our federal assistance grant actually went down. This is one of our prime concerns. I guess we are a fairly small council—as you can see from the document, with a budget of \$2.7 million, we are very reliant on external income, recognising our rate base generates \$1.2 million.

The second component of major importance to us is certainly our Aboriginality content, which is 54 per cent. This year we were able to demonstrate to the Northern Territory Local Government Grants Commission that that percentage was an increase but we had seen no real increase in dollars. Obviously, additional effort is expended in terms of supporting the things that we have to do for the Indigenous people in Tennant Creek.

I would like to draw your attention to page 10 of our submission, where we discuss a number of the issues in terms of possible suggestions for consideration. One of those suggestions involves looking at the real cost of trying to deliver services in a very remote area in Australia, and that relates to recruitment, retention of people, the delivery of normal day-to-day supplies for doing work and the lack of ability for training and development for staff. Training and development is not available if you are in, say, a rural area within Victoria or other places. Even there, staff do not get very good access, and it is expensive to bring them to places like Alice Springs or Darwin. Another suggestion we make in our submission involves looking at the grant on a geographical basis.

To support our labour situation, we primarily utilise something like 5,800 hours a year of CSO labour, which is equivalent to about 2½ people. That enables us to get work done using labour which we do not have on our work force. We are one of the few municipal councils that deliver human services. One of the issues here concerns the dollars that we receive versus the dollars in terms of what it actually costs us to deliver the service. For example, in one quarter

just recently, we submitted a return for our aged care programs of approximately \$30,000 for wages; we were actually given \$24,000, based on the money available for grants.

One of the things that we are attempting to do—and where we have set a precedent—is to take advantage of the government's capacity building funds that are available at the moment, in conjunction with Julalikari Aboriginal Corporation. At the moment, we are looking at working closely with some of the more rural communities and community Aboriginal councils to try and tap into the availability of funding that they have which we do not—that is, their operational grants, grants that they get for operating dumps and grants for purchasing equipment. We believe that we should be entitled to that, due to our high percentage of Aboriginality. Social issues are of great concern to us. We have set up a partnership with the Yapakurlangu Regional Council, which is part of ATSIC, to address those issues. But, again, it places pressure on the council and we are very reliant on getting grants.

Finally, as you can see with our low rate base, capital works is a major issue of concern for us. We are reliant on special purpose grants and we would like to acknowledge the support from the Roads to Recovery funding. That has enabled us to get road maintenance funding in Tennant Creek for the first time in excess of 10 years for roads that are very worn and tired. The Roads to Recovery funding has certainly demonstrated the ability for funds to be directly distributed from the Commonwealth without involving a state or territory.

CHAIR—Thank you very much, Mr Dougall. Have you done any work to quantify what you see as your cost disadvantage compared to, say, Alice Springs?

Mr Dougall—Not directly, no.

CHAIR—Could you make an estimate?

Mr Dougall—One cost area is that we have to freight everything up to us; everything comes from down south. As an estimate, we could talk about up to 10 per cent in additional freight for produce, products or items that we have to purchase. Freight is expensive for us.

Alderman Civitarese—Also, if you are looking at the overall picture, Michael mentioned lack of training opportunities, staff recruiting and relocation—all those types of costs. Being a small council and having a lack of funding, it is very difficult to get qualified and quality people in human resources for our types of communities. So you become very reliant on trying to expend moneys through consultancies—not so much when you are trying to do this, but when you are trying to complete or develop projects. So you are always trying to find extra moneys in your budget to buy the skills in, which puts a huge burden on us.

Mr ALBANESE—You used the Roads to Recovery funding as an example of a direct relationship you have with the federal government. Do you see it as appropriate to have a more direct relationship with the feds rather than having to go through the Territory government?

Alderman Civitarese—I do.

Mr Dougall—Yes, we certainly do, as a council; yes, we believe that would be a positive move.

Mr ALBANESE—On Monday I saw the Tangantyre Town Council and how it relates to the council here. Can you outline how your relationship with the Indigenous community works?

Alderman Civitarese—Last year the Tennant Creek council had some major social issues over the Christmas period. It was our youths who prompted council to have a community forum gathering in February. As a result of that we came up with the goals of setting partnerships between Julalikari Council, the Tennant Creek council and Yapakurlangu Regional Council, so that we could create direct ownership of our problems and so all key stakeholders could work on all of our issues together. As part of that we formalised a partnership arrangement with Yapakurlangu. Then we went out and sourced NT government funding through the capacity building scheme and, as a result of that, we are currently in discussions with Julalikari Council, the Anyinginyi Congress council, NT government and all key stakeholders. At the moment we are making a regional assets register; we are having a look at all of the funding—whether it is Commonwealth or Territory government funding—that comes into our Barkly or Yapakurlangu region. We are looking at the equipment and resources each of these organisations has, so that we can all share responsibility for providing and delivering quality service. We are looking at it as a survival mechanism so that we can provide service, because it is getting harder and harder to find the dollars.

CHAIR—You heard the question about accreditation; would your council see merit in that as a means of following up on what Mr Albanese was asking about direct funding from the Commonwealth?

Mr Dougall—One of the things we are looking at with the Barkly project, which we have got, is that there are great areas surrounding us which do not get any government funding at all for roads and what have you. We are looking at putting the resources together to provide an improved service. The way to build in an accreditation process would be through that. My word of caution certainly has to be that we do not enter into some sort of agreement and then find that the money is cut back at some stage or other. One example of where that has happened in the Territory has been in the library system where there was a three-year agreement between the Territory and the municipal councils for the delivery of library services. That expired two years ago and has not yet been renewed. We are still waiting, and we have either got to continue to deliver the service with the money we have got or top it up with council funding. That would be my only caveat on accreditation.

Mr NAIRN—At our hearings in Katherine, and also I think in Darwin, we had evidence from ATSIC that they felt that everybody was cost shifting onto them—from local and Territory governments but I guess not the Commonwealth because their funding is from the Commonwealth. They felt they were being forced to provide services that local government or the Territory government ought to be providing. Have you got any comments about that?

Alderman Civitarese—We can answer that in two ways.

Mr Dougall—Yes. We have hopped into bed with ATSIC through this capacity building Barkly project we have at the moment. We have brought ATSIC with us because we see them as important. As a council, we were lucky recently in getting an ATSIC grant. ATSIC in Tennant Creek—which is in the Yapakurlangu region that goes down to Barrow Creek south of us, right up to Elliott and across to the Queensland border, so we are talking about a very big area—see advantages in working with us as the municipal council and with the Aboriginal corporations as

well. So the answer to your question is probably yes. In Tennant Creek they have certainly not expressed your views but I think—

Mr NAIRN—They are not my views.

Mr Dougall—Your comments, sorry.

Alderman Civitarese—We could probably elaborate to say that, in several of the different projects that we have running at the moment in conjunction with the Yapakurlangu, ATSIC have quite willingly, on every occasion, offered the professional support of consultants or have paid for consultants to carry out research work rather than dabble into the funding that we have managed to secure for these different concern areas.

CHAIR—Thank you all very much for coming for the committee and also for your comprehensive submission.

[3.54 p.m.]

MAY, Mr Vivian Herbert Russell, General Manager, Mosman Municipal Council

STRANGE, Councillor David Macdona, Mayor, Mosman Municipal Council

CHAIR—Welcome. I remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We have your submission. Is there anything you would like to add to that before we proceed to questions?

Councillor Strange—We made a brief submission originally, which I think you have received. We have just submitted a fuller submission to the executive officer. I would like the opportunity to speak in a modified form to that fuller submission. First of all, thank you for the opportunity to make this presentation. For those members who do not know, Mosman is a medium sized metropolitan council approximately five kilometres from the Sydney CBD. It is almost totally surrounded by water. It comprises nine square kilometres and has approximately 26,500 residents and 12,500 rate assessments. Our current budget is \$28 million, 40 per cent of which comes from rates and seven per cent from grants. There is a perception that all who live in Mosman are wealthy. It would be unfortunate if my presentation today was devalued by confusing some who are very well off and asset-rich with those who may be asset-rich and cash-poor or those who simply like to call Mosman home. Like all communities we have disadvantaged residents, but I do admit that Mosman is disproportionate to the rest of Australia and in particular to those rural areas.

Unfortunately, under the existing constitutional arrangements, local government is a mere puppet of the state. On many occasions it is treated with disdain. The council's formal submission to the committee requested that the federal government legislate to provide for payment by the states to local government of a proportion of the GST from 2004, the rationale being that the growth in revenue from GST should be shared with the three spheres of government. Under the existing financial assistance grants arrangements, the use of CPI and the almost impossible to understand horizontal equalisation method are not realistic for appropriately funding local government. Clearly, the financial assistance grant is not a growth tax, but the GST is. This fact is highlighted by the fact that the states will receive \$33 billion this financial year, up from \$24 billion in 2000-01.

The supplementary submission we presented highlights the widening gap between grants and the reality of operating a local council. Local government in New South Wales has an additional burden of rate pegging. At a time when the state government is inhibiting our ability to generate income, it introduces taxes at its own whim. Take, for example, the abhorrent land tax, which, in my community, is actually forcing some people out of their own homes. The disproportionate return of taxation, whether it be levied by the Commonwealth or the state, is highlighted by the fact that the Commonwealth collected \$456 million in net tax from Mosman residents in the year 2000 and \$426,000, or 0.0009 per cent, was returned by way of financial assistance. Last year the council collected \$366 from each resident for residential rates, yet the Commonwealth collected \$17,800 on average from each resident.

The biggest money grab goes to the New South Wales state government. It will collect over \$1 billion in land tax this financial year. It would be of interest to know how much land tax Mosman residents pay. However, it has not been possible to obtain this information. Nevertheless, you would have to question what Mosman residents receive in return for their land taxes. The GST was supposed to relieve the states of the need for punitive and inefficient indirect taxes. For every dollar that local government collects in rate income, the state government collects 48c in land tax. The river of gold flowing to state governments from GST revenues should be shared with local government. I know that it would not surprise members that the New South Wales government also received \$2.7 billion in stamp duty on property transactions last year.

Mosman is not isolated from the reality of all local government. There has been a shift in the provision of services, particularly from the state to local communities. In my own community, the cost of service delivery for people services has risen by 454 per cent in the last decade. Rates increased 47 per cent in the same period. The scale of the problem is evident. Rate pegging and national competition reform have brought about revenue pressures on local government, while cost pressures have come in the form of state government levies, including the fire brigades—up 72 per cent in the last decade—and waste disposal levies. Now add to the equation cost shifting by the state government at a time of ever-increasing demand from the community for service delivery. Not one cent has been given to local government in New South Wales as a result of national competition policy reforms. The Commonwealth tells local government to deal with the states on the matter; the states in effect tell us to go away.

It is clear from the above that the states do not want local government as a partner in the social and economic management structures entrusted in government by communities. Our position is that the Commonwealth must act legislatively to abolish the existing fixed assistance package to local government and to establish an intergovernmental agreement that provides local government with direct access to GST revenue. The problem that Mosman faces, I am sure, is multiplied many times for councils in developing and regional areas. No doubt some fair method for the distribution of a proportion of the GST would have to be developed. Importantly, Mosman's position is that all councils need financial assistance with a growth tax not a fixed tax.

In conclusion, I do not deny the complexity of the tasks that you have been given. If you could include a recommendation calling for a referendum to give local government constitutional recognition in a federal system, I am sure it would be welcomed by the over 700 communities represented by local government.

CHAIR—Thank you very much for that rather colourful description of the problems that you feel Mosman faces.

Resolved (on motion by **Mr King**, seconded by **Mr Griffin**):

That the submission from the Mosman Municipal Council be received as evidence to the committee and authorised for publication.

CHAIR—I note that the member for Lingiari, Mr Warren Snowdon, has come along as the local member. It is great to see you taking such a keen interest, Warren—thank you. Councillor Strange, I would like to start by asking you to elaborate. You talked a couple of times about cost

shifting by the state government. I do not know whether you nominated areas and to what extent. Would you like to do that now?

Councillor Strange—There are further details in our formal submission. It is a simple fact that many of our initiatives and community services that we have to provide are subject to that phenomenon and have been for many years.

Mr May—They are mainly people services, but in capital works, they are things as diverse as sea walls to bus seats. The state government used to fund sea walls; these days they do not. It is as simple as that. Without the National Heritage Trust, we would be in trouble.

Mr KING—How many sea walls are there in Mosman?

Mr May—We have about three kilometres of sea walls, which are very expensive.

Mr GRIFFIN—Councillor Strange, your proposal for a referendum on the question of the constitutional status for local government—putting that to the forefront and recognising that there needs to be a partnership arrangement—was put up once before in 1987, as I recall. I am trying to think who the opposition leader was who opposed that. I think he spoke yesterday.

CHAIR—That is out of order.

Mr GRIFFIN—The fact is that the current Prime Minister was the opposition leader when this was proposed as a referendum issue in 1987, and your party opposed it.

CHAIR—I think this is outside our reference.

Mr KING—If I could take a point of order, Mr Chair—

Mr GRIFFIN—It relates directly to a recommendation made by Councillor Strange in his submission, and I am questioning him about it. Isn't that true?

Councillor Strange—I might say that 1987 was a long time ago and I think community attitudes have changed substantially since then.

Mr GRIFFIN—So you suggest that we should ask the Prime Minister to reconsider his position?

CHAIR—I do not think that is helpful.

Mr GRIFFIN—Do you want to respond to that?

Councillor Strange—No, I think I have said enough.

Mr ALBANESE—You referred to a fair method for distribution of the GST and, in the context of your submission, you spoke about how land tax was now giving something like \$3 billion of revenue, \$2.7 billion in stamp duty—

Councillor Strange—Land tax was \$1 billion.

Mr ALBANESE—Land tax \$1 billion, of which an indeterminate amount was being paid by residents in your council area. Isn't it true that land tax in New South Wales only applies to land value of \$1 million at the time it was introduced, that that is indexed, and that in fact you can also defer payment until after sale, so no-one is being forced out of their home? Isn't that the way that it works?

Councillor Strange—My understanding is that a large number of people in Mosman are faced with this position. The evidence is that there is actual creep occurring because land values are going up at a greater rate.

Mr ALBANESE—The figure this year is around \$1.3 million for just land before they have to pay one cent in tax.

Councillor Strange—The point I am trying to make is that there are a number of people in Mosman who have perhaps lived in their family homes for their whole lives and who are being placed in the untenable situation, by what I believe is an unfair tax on their family homes, of having to consider moving out of their own homes to pay that tax.

Mr ALBANESE—But that is not true. With due respect, they do not have to pay. Isn't it correct that they do not have to pay; they can defer payment of it until sale so that no-one—

Councillor Strange—They would have the feeling that they would not want to load that obligation onto their descendants.

Mr ALBANESE—Because their descendants might only inherit a \$5 million house. Your proposition is for a fair method of distribution of the GST in terms of capacity to pay as opposed to the needs of the previous two council areas, for example, that we have heard from—the one we are sitting in now and the sorts of communities that you see in the town camps around here. How do we as a committee judge fair distribution, as you put it, of GST revenue between people in your council area and people in town camps around here or in Tennant Creek who do not have access to basic services such as roads and fresh water? I wonder what your view of partnering social and economic models, equity in the form of taxation distribution and a fair distribution of GST would be. Do you agree that there are areas that need the GST much more than your council area?

Councillor Strange—I think my submission actually says that. I think the words are that there are many areas in this state that need the help more than Mosman does. But I also say that Mosman and every other local government instrumentality needs access to a growth tax. That is my basic point.

Mr ALBANESE—That is a growth tax, though.

Councillor Strange—I was only using the land tax as an example to illustrate that there are a number of unfair taxes that are being loaded onto people in addition to the cost shifting that is also occurring.

Mr ALBANESE—There are zero people in my electorate who are paying that land tax, so my electorate thinks it is pretty fair. In terms of your council and an amalgamation with North Sydney, Wahroonga or a local council, do you see a future for yourself as a small, ‘boutique’ council, or do you think there are efficiencies to be made in council amalgamations?

Councillor Strange—I do not think that is under consideration here, but can I briefly say that there are very distinct differences between Mosman and North Sydney and I do not think either community would accept that. That is my view.

Ms GAMBARO—Thank you very much, Councillor, for the speech that you have given us today. I do not know if you mentioned the minimum amount of funding that you receive in FAG. Could you tell us what you receive?

Councillor Strange—We get the minimum grant.

Ms GAMBARO—What would that be?

Mr May—It is 426.

Ms GAMBARO—As we are talking about land tax, I want to spin this the other way around. Perhaps the \$1 billion in land tax and \$2.7 billion in stamp duty that Mr Albanese was referring to is being used by the New South Wales state government to fund other state community services, so I think it swings the other way around and it is a cost-shifting measure as well.

Mr ALBANESE—Public housing and buses—

Ms GAMBARO—I think it all swings around.

Councillor Strange—I agree with that.

Ms GAMBARO—I have one other question. You did not mention any social issues that Mosman City Council has to deal with. You spoke briefly earlier about community social issues. Would you elaborate on those?

Councillor Strange—There is a perception of Mosman that everything is rosy and everyone is well off but we do have a very high percentage of single-parent families and the normal problems that go with that in terms of youth and so on. I say that our problems, compared to those of other council areas, are rather insignificant. Nevertheless, they need to be dealt with just as importantly as the problems that exist elsewhere.

Mr KING—Thank you for your submission. You do not actually specify a percentage in your central point about GST growth. Do you have a figure to propose?

Councillor Strange—Sorry, I did not really follow that.

Mr KING—Your written submission of 12 July suggests that there should be a percentage of GST revenue allocated to local government across the country, presumably in accordance with

the formula that has been set up in relation to financial assistance grants. Did you have a figure in mind? What would be the share?

Councillor Strange—I have not set a figure but I think the wording of a motion that has been moved and passed unanimously today in the national assembly is for at least five per cent of GST revenues.

Mr KING—So you are not able to help us as to how anybody reached the figure of at least five per cent?

Councillor Strange—No, I do not have access to those calculations.

Mr KING—Have you had significant complaints from your residents that rates are set at approximately \$356 per ratepayer and that the tax paid by those persons is \$17,812, leaving aside state taxes such as land tax?

Councillor Strange—Sorry, have we had complaints or submissions?

Mr KING—Yes.

Councillor Strange—Absolutely. I think it is a common complaint, particularly over the land tax issue in our suburbs. We accept that we have to pay more of our share, but the land tax is simply an unfair tax on the principal place of residence. It goes to the issue of what we are trying to achieve here: to get a fair and equitable system to apply to everyone and every community. That is what it is all about.

CHAIR—I thank Councillor Strange and Mr May very much for coming before the committee, for your second submission and for your willingness to answer questions.

[4.14 p.m.]

BUTLER, Councillor Meredith, Mayor, City of Boroondara

NEVINS, Mr John, Director, Works and Governance, City of Boroondara

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter. Thank you very much for your comprehensive submission. You have gone to a lot of trouble, and the committee certainly appreciates the detail that you have put there. Is there anything you would like to add to that before we proceed to questions?

Councillor Butler—Yes, I would.

CHAIR—You may proceed.

Councillor Butler—Mr Chairman, members of the committee, fellow councillors and fellow mayors from across Australia: thank you very much for seeing local government in this committee. Firstly, on behalf of the city of Boroondara, I thank you for the opportunity afforded to us today in making this presentation. Furthermore, on behalf of the city of Boroondara and its community, may I congratulate you and the House of Representatives on undertaking this inquiry. The matter of cost shifting has been a serious concern for the Boroondara local government for a number of years. Members will be aware of an initial submission made by Boroondara, where emphasis was placed upon the scope and range of activities undertaken by our community's first level of government, and ways in which local governments are financially disadvantaged as a result of state and federal government policy decisions.

One of the things I would like to do right now is, for those who are not exactly aware of what Boroondara is like, paint a bit of a picture. The city of Boroondara numbers 163,000 people. Our budget is just over \$100 million a year. We are five kilometres east of the CBD of Melbourne. We have 64 square kilometres of land that we are responsible for. We are responsible for \$1.1 billion worth of civic assets. We probably have tens of millions of dollars of unrateable properties within the city of Boroondara. We also, apparently, are listed as having the largest number of private schools in the one location in the world, and we compete with Boston with this statistic.

As part of the Boroondara submission in July 2002, we suggested that key areas of focus for this inquiry should include the current need for local governments to invest significantly in infrastructure, maintenance and renewal, as was evidenced by the \$1.1 billion worth of assets that we have; state and federal funding that does not keep pace with inflation, increased service demands or increased operating cost to local government; the detrimental impact without compensation of state and federal government policies, for example de-institutionalisation and early hospital discharge, on local government services and budgets; and fees and charges for local government services which are set at inadequate levels by state and federal legislation without compensation for the shortfall.

It is acknowledged that the issue of intergovernment funding is quite complex, not transparent, and very difficult for the average person to comprehend. The result is that the political consequences for underfunding are directed at local government as the service provider. For local governments the funding outcomes become highly transparent at the point of delivery, where the concern is not for intergovernmental financing complexities but is a much more practical concern for the cost of service or, more dramatically, any removal or reduction of a very valuable service. The past denial of cost shifting and underfunding by successive state and federal governments have done little to enhance the quality of public debate on this complex matter or the understanding by the average Australian.

For these reasons alone, the federal government is to be congratulated on this initiative. It has become apparent to this local government that state and previous federal governments have failed to acknowledge that, like them, local governments operate in a growth economy but, unlike other levels, do not have access to growth taxes. I would urge members to consider closely the transparent methodology followed by local governments, specifically in Victoria, in determining taxing levels. It is local governments which have repeatedly reduced tax rates in the face of growing property values—these valuations being the basis on which the rate of tax is calculated. The city of Boroondara this year alone reduced the tax rate by 13.2 per cent in light of growth in property values in our city.

Local government taxing is a highly transparent taxing model which is complicated by a general failure to acknowledge the requirements of economic growth, increased service demand and, importantly, a declining share of financial contribution made by the wealthier second and third tiers of government. This local government is of the view that funding to local government is seen by state and federal departments as an avenue for trimming their program at a low political cost. Indeed, the lack of transparency in the relationships seems to encourage such outcomes. This is not a matter of state versus local or federal versus local; it is a matter of the legitimacy of local governments as the first tier of government being responsible for the provision of key services needed by their communities, yet constrained by the financial arrangements put in place by Commonwealth and state governments. The collective detrimental impact of decisions made by state and federal governments is considerable.

Mr Chairman, I seek your indulgence to table a report prepared by the City of Boroondara on this complex matter. As will be seen by this report, there is a diverse range of services and activities important to our community where a progressively greater portion of the cost is being met by local governments over successive years. This report is, I guess, the quantitative side of the report that was given to you in July. It is not just state government, it is not just federal government; it is an accumulation of decisions that are ultimately to the detriment of the people of Boroondara. I urge members to review these schedules, as they present an instructive illustration of the penalties imposed upon local communities, who are the constituents and ratepayers of this and other local governments.

The City of Boroondara acknowledges the complexities facing this inquiry and, further, that a solution will not be found overnight. However, we implore you to take up the challenge and include local government in working parties so that more equitable remedies may be found for the good of all Australians in their local communities, now and in the future. I thank you for the opportunity to address the committee today.

CHAIR—Thank you, Councillor Butler. Is it the wish of the committee that the report by the City of Boroondara be received as evidence to the local government and cost-shifting inquiry and be authorised for publication? There being no objection, it is so ordered.

Councillor Butler, you talked a lot about both state and federal cost shifting and also funding not keeping pace with inflation. As you would be aware, the Grants Commission has pointed out that since 1974-75 Commonwealth funding to local government has been increasing on average by 4.3 per cent per annum in real terms. I wonder whether you really believe that 'federal' should be included in that sweeping statement.

Mr Nevins—The federal government may well be increasing its funding to the state governments but the state governments are not necessarily increasing their funding to all local governments. Set out in that document are a number of pertinent examples of where that has not taken place. The failure of the state government to maintain the real purchasing power of the grants is compounded by the increasing service demands and expectations of our local communities. HACC is a very good example. With our ageing population, it is not enough to maintain that funding in line with CPI movement; it must be adjusted also for the increasing demand for services. Similarly, funding from state governments to local governments is not addressing the very significant challenge that all Victorian local governments—indeed, all local governments in Australia—face with renewing infrastructure. Local government right now in Victoria has only 66 per cent of the capacity that it needs to replace its existing infrastructure. Infrastructure in Victoria under the management of local government is valued at something in the order of \$3 billion.

There are a number of things that need to be recognised and taken into account when determining what is an appropriate level of funding and, as set out in that documentation, we have costed it. There could be debate at the margins, but there is \$4 million of detail in the submission that Councillor Butler has just tabled. There is quite a lot of detail of the changes in legislation that are imposing greater obligations on local government. I do not think it is a simple matter of CPI movement.

CHAIR—I take it from what you are saying that you accept that the Commonwealth funding is increasing but it is not being passed on. Is that right?

Mr Nevins—In Boroondara's case, that is a fact. It is not increasing.

CHAIR—You are aware that with HACC funding the Commonwealth contribution went up by 6.8 per cent last year?

Mr Nevins—Commonwealth funding has gone up, but whether it is an adequate amount from the Commonwealth's perspective to the state is something we cannot comment on.

CHAIR—I am talking about direct HACC funding.

Mr GRIFFIN—Mr Nevins, in your experience, does demand for services in an area basically correspond with a four per cent increase in funding?

Mr Nevins—No.

Mr GRIFFIN—Exactly.

CHAIR—I am sorry, you did not get to answer the HACC question. You are aware that HACC funding has gone up?

Mr Nevins—Yes, it has gone up, but service expectations and demands from the community are going up at a greater rate. We currently have people with quite legitimate HACC service needs that we are unable to respond to. We do not provide the service.

CHAIR—You are blaming the Commonwealth for that?

Mr Nevins—Whether it is the Commonwealth or the state is a matter for—

CHAIR—The Commonwealth is increasing its contributions.

Mr Nevins—I accept what you are saying, Mr Hawker, about the Commonwealth increasing it.

Mr GRIFFIN—What Mr Nevins is saying is that you cannot actually just carve out the Commonwealth and say it is all state. I think you are trying to actually badger him into a situation where he suggests otherwise.

CHAIR—No, I am not. I am just trying to clarify it.

Mr KING—But the state funding goes into HACC—

CHAIR—I do not want people to make these sweeping statements about federal and state when the federal is definitely—

Mr GRIFFIN—This is getting a lot more political.

CHAIR—No. I just want to get this clarified.

Mr GRIFFIN—We will have fun back in Canberra.

Councillor Butler—Can I draw your attention to the last page and give you a simple example, which is the Disability Discrimination Act compliance that we are going to have to meet. It is going to cost us \$18 million. So that is not necessarily something that has happened in the past; it is obviously new legislation that has come through. We are going to have to comply. The simple fact is that it is going to cost us \$18 million.

Mr KING—What is that? Is that the kerbing and guttering and access ways?

Councillor Butler—No. It is the Disability Discrimination Act.

Mr KING—Yes. What are we talking about here? Are we talking about footpaths or access to buildings? What are we talking about with the \$18 million?

Mr Nevins—The Disability Discrimination Act federal legislation obliges all infrastructure, assets and facilities maintained by the public sector to be accessible by all. There is no stringent time line. There is a policy understanding of a 20-year time line. Boroondara has 411 buildings, 1,350 kilometres of footpaths, numerous crossings, ovals and pavilions. They have to be accessible by people of all attributes.

Mr KING—Is there some costing of this? Where is this laid out?

Mr Nevins—The City of Boroondara is about to conclude a three-year asset management strategy. We walked every footpath in Boroondara; we have inspected every building; we have engaged a company called Triple A to do disability access audits of all our infrastructure and we have quantified and costed all works that need to be done. Whilst the report has not been finalised, we expect it to be in the order of \$18 million to comply with that federal legislation. There is no debate about the merit of the legislation; it is just that there is a cost and that is what it will cost us to comply.

CHAIR—I again commend you on your additional submission. There is certainly a lot of detail. I also commend you on the fact that you note that the problem of cost shifting is not just a recent one. It does include several generations of government, shall we say. I just wanted to make sure my colleagues do not feel we are being too recent in our comments.

Mr GRIFFIN—Well, mate, as you might recall, we wanted the terms of reference to actually cover the question of local, state and federal—the whole box and dice—and it was your lot that tried to stop that. Watch that you do not play games, David.

CHAIR—They are fairly wide terms of reference.

Ms GAMBARO—Going back to the issue of HACC funding, have you had any instances where people have been discharged from hospital that should have been funded under post acute care under the HACC funding? Have you been made aware of those instances? We fund the states to administer post acute care in hospitals and in some cases they are releasing people before they are ready to be released so that they do not have to pay for it out of the health budget and it then goes into HACC funding. Have any of your residents or anyone in your community raised those concerns with you?

Mr Nevins—Yes.

Ms GAMBARO—How widespread is that, in your opinion?

Mr Nevins—There is an issue there. We are not in a position to quantify it here today but, with the early discharge programs of the hospitals to improve their throughput, greater demands are placed on local governments. I am not able to quote the names of the individuals but there have been instances of elderly people being discharged early and sent home after leg operations or when they have problems with mobility although they may live in second floor units. This is not restricted to one particular era. There are greater demands on our nurses in maternal and child health care services because of the early discharge of new mothers. They are saying that part of the reason for that is that new mothers are not spending as long in hospital as they used to. There are examples, but it would be wrong to conclude that it is a huge issue. There are certainly cases of that happening.

Councillor Butler—People are going home earlier after operations or whatever and that may not necessarily be a dangerous scenario but, because mothers with children or anyone who is leaving hospital will need additional help, the Home and Community Care worker comes in for that, or maternal and child health nurses may be required to help with breastfeeding or basic child care and help with the children and babies.

Ms GAMBARO—I will just ask one other question on the \$18 million in relation to the total Disability Discrimination Act. Maybe I am not following something. Does that apply to existing buildings that have to be modified? Is there any retrospectivity in this? I thought it applied to new buildings. Does it apply to all council buildings?

Mr Nevins—It applies to all infrastructure.

Ms GAMBARO—All current infrastructure?

Mr Nevins—Correct.

Mr GRIFFIN—I would like to congratulate you on the comprehensiveness of your submission, and there is certainly a lot of information in today's additional submission for us to digest. I would like to ask you whether you have identified particular services which are currently provided predominantly by the state government or other levels of government that would be better handled by you. For example, there has been an argument put up about policing. Would you like a Boroondara constabulary or something like that?

Councillor Butler—At council level I do not think we have explored what additional state or federal government services we think we are in a position to take on. Yesterday we heard the Prime Minister say that we have a federal structure that is here to stay, and I think that that sort of change would require serious amendment to what we are currently doing. I hear the state—and I am not too sure if I am hearing it from the federal government—say, 'Can local government take on more responsibilities?' It would need a lot of consideration from all the parties concerned.

Mr GRIFFIN—The point I am making—and I think it is part of what we are supposed to be considering as a committee—is that, when we look at what is currently undertaken, can we see better ways of organising it and better ways for local government to pick up certain things versus others? If you cannot comment now, that is fine, but if you have any views we would be keen to hear them.

Mr Nevins—I will just add a couple of comments. Yesterday, Councillor Butler said the Prime Minister was speaking to the ALGA conference and he mentioned there were two main agendas in Australia: one was nationalism and the other was localism. Localism is where local government comes into its own, and at the local level it is at the grassroots and from the ground up. While, as Councillor Butler has said, local government taking on police services would be very dramatic, I think there is a need for new approaches and, as the Prime Minister said, partnerships are the way to go.

A very good example would be transport. Local governments understand their communities, they know what their communities' transport needs are, but at this point in time local governments do not have a legitimate seat at the table in determining transport planning.

Transport is the dominant domain of state governments, but for an inner metro council like Boroondara—let alone some of the outer metros that are represented by individuals in this room this afternoon—local communities understand what the transport needs are. I think partnerships are probably the better way to go. Policing is another good example of where partnerships are very appropriate. Local governments understand their community safety needs. All local governments have community safety programs and community safety strategies and the partnership approach has, in some cases, proved very successful there. So I think partnerships would be more productive than wholesale changes in responsibilities.

Mr NAIRN—Councillor Butler, in your submission, in relation to cost shifting, you mention fees and charges for local government services which are controlled by state and federal governments. You also made a similar comment in your opening statement about legislation which prevents local government making changes to those fees and charges. In the submission you give examples of statutory planning, local laws and building surveying services, which I assume are all under state legislation. Can you give me any examples of local government fees or charges which are prevented from changing by federal legislation? I have not been able to find any. What I am getting at is that in your remarks on fees and charges for local government services, you are really dealing with state issues there, not federal.

Also in your submission you refer to local laws on school crossings and associated supervision of administrative costs with no additional subsidies or funding by other spheres of government. That sort of area is really a state matter, so what you are referring to there are no additional subsidies or funding from the state for those sorts of things, because the only other sphere of government is federal and I am not sure of any federal programs that do anything in school crossings. Is that right?

Councillor Butler—That is correct.

Mr NAIRN—So both of those issues are state issues, not federal issues.

Councillor Butler—Yes.

Mr KING—You mentioned the inadequate statutory fee structure for your planning fees. What is the inhibition upon you setting your own fees and why do you want to set them at a particular level? Presumably, it is to cover your cost.

Councillor Butler—I think the statutory planning fee that we get is a set fee. It is set by the state government. Often, planning applications are not straightforward. So in trying to achieve a better outcome for the communities we go through consultation, trying to work with developers to change what they are putting forward, which does take time and therefore money. But we can only charge so much; it is a set application fee.

Mr KING—Do you have an indicative program where you advise developers and others in advance, say, that this will not work or this will work et cetera? It is a good idea.

Councillor Butler—Yes.

Mr Nevins—As Councillor Butler has said, the fees are set by the state government and we are prohibited from establishing our own fee structure.

Mr KING—I did not think the Victorian government did what they do in New South Wales to cap fees and general revenue.

Mr Nevins—Under certain pieces of legislation, they do do that.

Mr KING—But not general revenue?

Mr Nevins—No. In Victoria local government's main source of revenue is rate revenue and there is no capping in place at this point in time.

Mr GRIFFIN—There used to be a cap under the previous government.

Mr KING—I want to explore one interesting comment you made, Mr Nevins, which I think arose from a question from my colleague regarding the possibility of local government assuming additional responsibilities, obviously on the basis that it would be properly funded. I think you mentioned transport as an example. You indicated that at the moment in your city there is no consultative process whereby your city is involved in any of the transport decisions in that area. Is that right?

Mr Nevins—Transport planning is the domain of the state government but there is a significant transport initiative that the Victorian government have called Tram 109. Prior to last Monday, we were in the throes of initiating community consultation in partnership with the state government on that. But in terms of determining the frequency of tram services, train services, bus services and the bus routes that would run, those are solely the decisions of state government, not local government.

Mr KING—To take the bus services as an example: if public transport bus services were devolved to you by the state government, would your council feel confident in supplying those services?

Mr Nevins—If the accountability were matched with the funding, I believe that is something that local government could respond to very well.

Mr KING—I gather that you think that a local government is better placed than a state government to deliver those services in a way which is going to best accommodate the concerns of the communities which they are designed to serve.

Mr Nevins—In terms of movements inside the municipality, yes. We recently completed a submission to the state government on school bus services going from the southern section of Boroondara to a number of private schools in the northern section. That was done in partnership with the schools and a number of parent committees. It would have reduced the level of road congestion around those schools. Around private schools we have significant issues with parking and pedestrian safety, and using public transport is one very viable means of addressing those issues. In terms of movements across Melbourne or from one local government area to another, there needs to be coordination. This is why partnerships are very important. Freight is an excellent example. Freight moves not only intrastate but interstate and overseas as well. I do not think one body, on its own, has all the knowledge, but I think by including a legitimate seat at the table for local government better outcomes would certainly be delivered for local communities.

Mr KING—Obviously, freight is a commercial issue. Public transport of individuals is quite separate. It is interesting to hear your point of view on that.

Councillor Butler—We have an organisation called the Metropolitan Transport Forum in Victoria that focused on creating choices for the way in which we move goods and services. We did not try to separate them out because even use of the road for freight impacts on local government. There are many things happening with freight that might be a commercial decision on someone's part, but it is still something that impacts on the cost for us.

CHAIR—I have been looking through your earlier submission, where you gave the example:

Software enhancements (required by Federal or State Government legislative changes) generally have no funding.

In the new submission you have put the cost estimate for the last financial year as \$5,000. Do you see any administrative savings from putting those software upgrades in place?

Mr Nevins—One particular example is the DNRE, the department for land services and valuations, and how we submit and disseminate information on property revaluation, which is needed for the State Revenue Office by the state government. There are certainly benefits—there are administrative savings for state government and local government—but the cost is borne by local government. I think on the grounds of equity it would be appropriate for some share of that cost to be met by state government.

CHAIR—Are you saying that most of the savings are for the state government instead of the local government?

Mr Nevins—They are the beneficiaries of the information transfers.

Mr GRIFFIN—I go back to an earlier comment about the question of fees and charges. There is one point I would like to just check with you. Take the example of the charges under the Food Act. Strictly speaking, they are charges set by the state government, but they are in response to a national agreement which also involves the federal government. Another example is that if you are charging for Home and Community Care services again it is a joint federal and state funded program. There is an argument to be put that, although the actual direct line management responsibility around the question of what those fees may be set as may rest with the states, the fact is you are talking about the implementation of joint federal and state responsibilities. Would you agree with that?

Mr Nevins—I can only respond in the context of our relationship with the state government and the state legislation. I accept what you are saying about the broader national agenda that may exist in terms of coordinating those standards across the various states.

Mr KING—You have got to look at each one, haven't you?

Mr Nevins—Each piece of legislation?

Mr KING—You have got to look at each service that you have to provide in respect of which you claim there is a cost shift.

Mr Nevins—That is correct. That is what we have done in the paper we have handed in today.

CHAIR—Thank you for coming before the committee and for your comprehensive submission, including the new paper you have provided today. It will certainly be very valuable for the committee.

[4.46 p.m.]

KENNEDY, Councillor Norman Phillip, Glen Eira City Council

MARTENS, Councillor Veronika, Glen Eira City Council

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter. We have received your submission. Would you like to make a brief opening statement before we proceed to questions?

Councillor Kennedy—Yes, thank you. Our submission suffers in comparison to the two that preceded us but we hope that we can add some light to your deliberations. First of all, I would like to thank the committee for allowing us to present evidence. I commend the parliament for instituting this inquiry. One of the first things mentioned in the terms of reference for this inquiry is an examination of local government's current roles and responsibilities.

If we look at the Local Government Act in Victoria, we see that there are seven sections of schedule 1 which specify what local government does. Part 7 is basically for anything else that anyone can think of. It actually leaves a fairly broad interpretation of what local government can be responsible for. I think it is timely to have a look at the break-up of responsibilities and roles between the federal, state and local governments.

Let us look at the current funding arrangements. Most people here today have talked about cost shifting, and our submission does address a number of areas where we think there has been some cost shifting. But there is a more fundamental problem and that is that we are being squeezed from both sides. We are being squeezed through a cost-shifting exercise: being given more responsibilities and not being funded to be able to carry those out. But on the other side, we are not able to raise our own revenue. The City of Glen Eira has about 120,000 residents and a budget of about \$63 million per year. In terms of our residential assets, we have about the fourth highest value in the state of Victoria. We have a huge base from which to raise taxes and rates but, when we do try to raise those rates to fund the work that we need to do, we are often stopped. As mentioned earlier, a previous government actually introduced a rates cap in Victoria, which restricted the ability of council to raise rates.

We are suffering now because we have not been able to raise the capital to do the works that we need to do. This year we raised our rates by 16 per cent. That still means that our rates, on a per capita or per asset basis, are around the 65th lowest of the 78 councils in Victoria. We have a very low base, which is reflected in the fact that the assistance grants are at a minimum. The assistance grants take a formula that says, 'Your community has the capacity to pay for the work that needs to happen in your area and you should not expect the Commonwealth to fund those works.' There is a fundamental issue in that we are being squeezed from both ends, and there is another fundamental issue in that the method of raising tax is basically regressive. It is based on property values; it takes no account of people's ability or capacity to pay. From that point of view it is basically a regressive tax and there is not much that we can do about it.

I want to discuss stamp duty, which is also a property tax in Victoria, and without having the absolute figures I will tell you an anecdotal story. Recently a friend of mine bought a house within the City of Glen Eira. What she paid in stamp duties, for which she had no services delivered for that property, would have paid the rates for the next 10-plus years. That sort of figure bears consideration. That is something that has not just arisen overnight—the method of rating properties and raising council rates has been the same for 10- if not 50-plus years; it is a fundamental problem. Now that you are looking at the total envelope of councils it is something that needs to be considered.

The capacity of local government to meet existing obligations is something that we do on a prudent financial basis. There has been mention of Home and Community Care funding, which we are saying has been the subject of cost shifting. We are now paying about 29 per cent of the cost of delivering Home and Community Care, as opposed to 20 per cent when we started the agreement with state and federal governments. In doing that we have actually cut back the services that we are delivering. Glen Eira has one of the highest aged populations in Victoria, if not within Australia. Even though we are giving 29 per cent, we have had to cut back the eligibility that people have for those services. From a fundamental point of view, looking at our community, Home and Community Care enables people to stay in their own homes longer, to maintain their dignity longer. From a state and federal point of view it saves money because it is cheaper for those people to stay at home than to be in nursing homes or hostels. We need to look at some of the things that the minister mentioned yesterday; we need to think laterally about delivering charges.

I will just mention one other example—I have not been watching the clock, Mr Chairman; I do not want to exhaust your question time. Immunisation is a case in point where we are given \$6 per immunisation. It costs us \$17, but if someone goes to the GP it costs the federal government something like \$50 for the same service. It does not make sense that we do not get paid the real cost and that the cost of going to an alternative place is many times more than the cost that we would deliver. One of the issues that this committee is looking at is where can councils take over functions that are done elsewhere. That is a good example of where we may deliver the same service. It can be revenue neutral—in fact, it can reduce the cost that is spent on immunisation—and is a win right across the board.

The next item is scope for achieving rationalisation of roles and responsibilities between different levels of government and looking at the ability of councils to work on a regional basis. This does happen to a certain extent in Victoria and in our council, but there is certainly a large measure of improvement that could be done in that area. There are some services that definitely can only be done in a local area, but there are some that we can actually spread around—for example, youth services, where we are looking at schools' participation. Glen Eira has set up a regional arrangement with Bayside City Council and the City of Port Phillip to develop a service outside of our council, and therefore spread the costs and make the service more efficient.

Councillor Martens—I have one other comment to add. There is the question of the perception of the community—and that is not necessarily concerned with the federal government. The University of the Third Age is very popular and also very necessary: it contributes to a healthy community. In our municipality it has some 1,500 members but now finds itself in the situation where the premises it has been using may be sold by VicRoads. People automatically come to council with their demands, when they want to purchase

something. But it is not the responsibility of the local council; it is a state government responsibility.

I think Boroondara worked on the issue of safety committees. There are safety committees in every municipality and they are a particularly good idea. They are supposed to work in partnership but instead the government came out with comments that within five years our accidents should be reduced by 20 per cent. It has been handed over to councils, which work in partnership, to come up with that result without any resources. Again, I realise that that is a state government thing but it has landed on councils. I am sorry, I cannot help but say that, in the late 1990s, I was in favour of their enshrinement in the constitution and I think it is still necessary now.

Mr GRIFFIN—I agree, Councillor Martens.

CHAIR—Councillor Kennedy, I have one question of clarification. You talked about the immunisation program and said that government funding reimburses \$6. Is that Commonwealth funding?

Councillor Kennedy—We receive it from the state. I am not sure where it ultimately comes from. I would suspect it comes from the state but the federal government pays the GPs.

CHAIR—That might be something we look into a bit further.

Mr GRIFFIN—My wife did not tell me that it was 16 per cent.

Councillor Martens—We gave them something back.

Councillor Kennedy—One of the things we did was give a rebate to pensioners. The rebate given to pensioners has not been increased since 1981. We did that to try to mitigate the fact that it is a regressive way of raising taxes.

Mr GRIFFIN—I cannot really complain; I think I can afford it. I would argue that, although every community is different, Glen Eira is relatively similar to Boroondara, both socioeconomically and overall. Would you agree with most of the comments made by Boroondara?

Councillor Kennedy—You are taxing my memory. There was nothing that really struck me—except for the fact that we would not be seeking to take on a responsibility for transport. What we do think would be useful is a greater role in the provision and the level of the service; for example, we have no ability to determine where bus stops are placed.

Councillor Martens—In terms of the HACC funding, I am not sure of the stay-at-home population. I think Glen Eira has an older population to cope with and therefore a few more demands made on it. But, in general terms, we are similar.

Mr GRIFFIN—Following on from that, you mentioned the immunisation example, which is well worth having a look at. Are there other particular examples that you consider might be worth looking at?

Councillor Kennedy—Most of the others were talking about the fact that we are providing a service—for example, Home and Community Care—where the reimbursement we get does not reflect the actual cost. I will endorse Boroondara's comments that the state government sets a number of fees that do not reflect the actual cost of providing the service and so we are obliged to subsidise those services from general rates.

Councillor Martens—I have another example. There is a new state government regulation to do with tree pruning near powerlines. This regulation has resulted in an increased cost to councils of some \$50,000. This, again, is a state government regulation.

Mr NAIRN—You mentioned that you had a high proportion of older people in your shire. So that we can put it into perspective, what percentage of your population is aged over 65? Do you know the figure off the top of your head?

Councillor Martens—It is 24 per cent.

Ms GAMBARO—Thirteen per cent is the national average.

Mr NAIRN—Yes; I think the national average is 13 per cent.

Councillor Martens—It is a problem.

Councillor Kennedy—One point that I was going to make and have not done so—you just prompted me when you talked about aged care—is that I believe that in days gone by, and we are talking about when Glen Eira was established and being developed, a lot of the community infrastructure was provided with capital grants from either state or federal government. For example, the aged care facilities we have in the city were provided with capital grants. In fact, a lot of the sports pavilions were provided with capital grants. We no longer receive any capital grants for replacement or fundamental repair of those facilities. Given the age of the city and the value of the assets, it is a very large burden that our community has to bear—and the community did not provide the facilities in the first place so it is a new imposition.

Mr NAIRN—Do you have much unrateable land in your city? I am not familiar with the location.

Councillor Kennedy—We do but not in comparison with other cities; it is not huge. I don't have a figure with respect to that.

Mr NAIRN—I do not know whether you know or not, because I have not asked this question of anybody from Victoria, how state corporations work with respect to whether or not they pay rates. It seems that every state is different. This is one of the problems with the inquiry—that there are such differences from state to state. Do those corporatised bodies—

Councillor Kennedy—I am not aware that we have any of those bodies within the city that are not rateable.

Councillor Martens—We have quite a few schools, of course—and also Monash University—that are not rateable.

Mr NAIRN—Somebody in the gallery is indicating that in Victoria state corporations do not pay rates. But they presumably have them on their balance sheet as part of national competition policy.

Mr GRIFFIN—Which state corporations are there left in Victoria!

Mr KING—Who is responsible for that interesting excerpt from a speech by John Grey Gorton in your submission?

Councillor Kennedy—It wasn't me; I cannot claim credit.

Mr KING—It is a good speech.

CHAIR—Thank you, Councillor Kennedy and Councillor Martens, very much for your submission and for appearing before the committee.

[5.03 p.m.]

DRAPER, Mr Geoff, Director, Community Services, Manningham City Council

GOUGH, Mayor Geoff, Mayor, Manningham City Council

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter. We have received your submission. Would you like to make a brief opening statement before we proceed to questions?

Councillor Gough—Manningham City Council is pleased to be here and we appreciate the opportunity to address this inquiry. We thank the government for taking this initiative. The submission by Manningham City Council mainly relates to one aspect of the terms of reference: local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments. Manningham City Council considers that there are a number of key issues that affect us. The first one is the financial capacity of council. Manningham council has experienced a steady decline in funding from state and federal governments at a time when the state government has experienced a windfall from GST revenue.

The combined impact of increasing state requirements and decreasing state support is having a devastating effect on local government. The capacity of the state government to mandate spending or compliance issues without a corresponding transfer of revenues or taxing authorities is cause for our concern. There is currently a substantial discrepancy in the expenditure responsibilities and the revenue raising effort between the spheres of government. Local governments face increasing expectations from our communities for new and improved services and continued services as well as asset management and refurbishment. A range of added responsibilities are regularly passed down to local government level without adequate support. Councils are under pressure to increase the proportion of spending in each budget towards the renewal of their infrastructure.

The state government in Victoria has experienced a windfall in revenue as a result of the introduction of the goods and services tax. Despite the growth in revenue, the state government continues to inadequately fund programs, cost-shift areas of responsibility and introduce new compliance requirements. Manningham City Council strongly argues that the federal government should bypass the state and provide local government with an appropriate share of taxation revenue. The cost shifts from the Commonwealth and state governments have put increasing pressures on councils' rate basis. The City of Manningham has undertaken some basic analysis in assessing the impact of the cost shifting and that is outlined in detail in our submission. Our submission includes tables and expenditures and what we believe are the cost shifts.

It highlights a number of areas. The first one is compliance costs. Compliance requirements are imposed by state government without adequate funding to support them or due consideration of the additional resources that local governments may require to carry out the

new programs or the new bits of legislation. The council argues that the financial impact of proposed legislation should be fully analysed and adequate support should be given where required. Another big area is road funding. While there has been considerable funding for the major arterial roads in local government, the Victorian government is now steadily reducing the funding of its major arterial roads. Councils are therefore under increasing community pressure to fund major works. There is a huge maintenance issue with our roads. There has been no indexation on routine maintenance funding for main roads for at least the last five years. The local community is required to double-fund road improvements—once through fuel taxes and then through rates—for roads that are not our responsibility.

There are some issues with community services. The first one is with Home and Community Care. Home and Community Care represents one of the most expensive and politically sensitive spending items for all spheres of government. The HACC program provides a range of services which assist frail, elderly and younger disabled persons to remain living in their own homes for as long as possible. Over the life of the program, there has been significant cost shifting to local government. Based on recognised growth of the ageing population, the program is not sustainable in its current form without real growth funding. The growth of the ageing population has to be factored in and the Commonwealth and state governments need to urgently address the resultant significant funding shortfalls. For all community services for which there is joint government funding provided, the cost burden over the years has clearly shifted to local government. That is clearly indicated in our submission.

Our submission highlights the financial impact of cost shifting, underfunding, compliance cost and flow-ons to local government. Whilst the total figures are, in essence, estimates, council believes the actual figures will be even more than what is stated here. The total impact of all of these issues stated has been estimated at \$4 million on operating costs and \$3.5 million on capital costs—a total of \$7.5 million overall.

Manningham City Council is seeking a number of outcomes. Firstly, the state government should end the imposition of state-issued compliance mandates without adequate state funding or recognition that local governments may raise any shortfall in revenue through a dynamic rating system. Secondly, the federal government should note that cost shifting from all state governments to local governments has in many instances forced local governments to raise rates or curtail services. Thirdly, the federal government should consider significant structural change in the way the tax base is dealt with. Fourthly, the federal government should redirect some of the GST revenue and pass it directly to local government. I would like to hand over to Mr Geoff Draper to go over a number of specific instances that may elaborate on this.

Mr Draper—To add to the presentation by the mayor, you will see in our submission a comprehensive list of services for which we believe there has been a cost shift or an associated cost that is now being picked up by local government. I guess what we have experienced in local government over the past decade or so is a gradual increase in responsibilities, an increase in compliance brought on by other spheres of government and an increased role as a service provider. This has occurred at the same time that we have experienced a gradual decrease or erosion of grants or funds in joint funded and/or funded programs.

There are a number of options to the service provider dilemma faced by local government in a time of insufficient or inadequate funding. Firstly, reduce services. This is often unpalatable and it relies on us being the gatekeeper for services. It also diminishes our duty of care and adds

responsibilities. The second response to the dilemma that we face is to top up the funding shortfall in order to address that duty of care and the responsibility and the responsiveness to our community, and this is often the course that local government is forced to take. The third way to address the dilemma is to opt out of a service. Again, this is often unpalatable and service gaps for our community would become evident.

Manningham City Council has a five-year financial plan, which often becomes impossible to predict and adhere to for joint funded programs. Finances are continually stretched and, with shortfall funding or top-up funding required, they become unsustainable in the long term. Many of these joint programs and services are subject to an annual funding and service agreement with the state government, which again limits planning and increases the financial variations and fluctuations which we must address on an annual basis.

We estimate the extent of the cost shifting, as the mayor said, to be in the order of \$4 million per year. To us that would be an equivalent free kick of about 10 per cent of our rates per year—and that would go on top, obviously, of CPI or cost escalation. It would be a significant free kick which could be then ploughed back into infrastructure replacement and refurbishment or capital works.

I will not go over the extensive list of the services in the submission. Needless to say, when governments concentrate on a purchaser role—where they tend to purchase off a provider—which is particularly the case in Victoria, they tend to lose sight of the complexity of providing that particular service. Over the years, this has become the domain of local government and non-government service providers with the inherent flow-on problems. Compulsory competitive tendering in Victoria clearly demonstrated that the private sector is not interested in running many of the services and programs offered through local government. This is obviously due to the cost of running the services and programs and the inability to make a profit. As a sphere of government, local government often hears the word ‘partnership/s’ but it is rarely enacted in its true meaning. It has become a buzz word for shifting responsibilities and costs.

The committee is commended for holding the inquiry and the public hearing. We in local government look forward to the current and growing inequities in cost shifting to local government being addressed in a real and meaningful way. Certainly, if members of this committee are able to resolve and solve some of the issues in the extensive programs that we offer, you will be regarded as miracle workers.

The mayor has outlined some of the key issues. In the course of the hearing today I jotted down some recommendations that you might consider in your deliberations, because they did come to light in the discussion here today, and the observations of the various witnesses. Firstly, we have to start to look at some direct program funding to local government, bypassing the state. That becomes apparent when you start to look at the layers of administration that occur in a lot of these joint services and programs in both monitoring the services and programs and distributing the funds.

Secondly, I believe that there should be a serious review of the cost-neutral component of the inquiry. When we look at the government’s document on ageing in the budget, clearly there is a great cost towards all of us. Manningham is one of the councils with a very high aged population. But the cost of providing those services under a partnership arrangement is going to

be on the increase. Next, I think there would be some wisdom in recommending a rationalisation of joint programs with an objective of efficiency, and there—

CHAIR—We are not just rehashing what Councillor Gough has said. I just want to get some questions in, if I could.

Mr Draper—Sorry about that. In finishing off, general and real partnerships are about agreed discussion in order to come to final agreements and sign off on them and about reducing the reporting and the requirements of reporting of local government. After all, we are a sphere of government.

CHAIR—Councillor Gough, in your opening remarks, you made a comment about the fall in Commonwealth and state funding. I wanted to clarify that point because, as I think you are aware, the Grants Commission has shown that, since 1974-75, on average per annum in real terms, Commonwealth funding has gone up by 4.3 per cent a year. I am wondering why you put the two together like that.

Councillor Gough—Your funding may have gone up by 4.3 per cent. Manningham's share of that has not gone up.

CHAIR—That is what I want to hear. Maybe you can expand on that point.

Councillor Gough—In many of the grants from the Grants Commission, in respect of rights we have actually gone backwards from areas of need. In getting funding or funding for roads, we are an inner metropolitan area. A great deal of funding is going to country areas, so funding gets shifted off to other areas. Therefore, the share of the pie that comes to our particular areas is significantly reduced so the ability of council to provide those things is—

Mr GRIFFIN—And then there is lobbying on behalf of your local communities.

Councillor Gough—That is just one instance.

CHAIR—On that issue of roads, you also talked about having to fund works on main roads.

Councillor Gough—Yes, this is correct.

CHAIR—Under what arrangement is that? You are saying it is a state road but that you are actually doing the work.

Councillor Gough—Indeed. Council is given a bucket of money to help with the maintenance of these particular roads. The money is not there to build these roads to the proper infrastructural level that is needed and therefore the level of need for us to spend that money in fact exhausts that money and we need to spend ratepayers' moneys to actually patch the potholes. Indeed, what if the \$18 million was spent on a number of roads? We have about \$90 million worth of roads that need to be built in our particular municipality. If they were built, the level of maintenance that we are getting would actually cover the maintenance costs. But, given that they are extremely deteriorated, that does not cover it so we have to fight to top that up.

CHAIR—Why does the council take that on in that case?

Councillor Gough—Public safety. It is an issue of safety. Indeed, we are a partner in that we do the maintenance—we contract out, I suppose—for those main roads. The residents of the area do not really understand the difference between a state government road and a local road. To them, it is a road in their area.

CHAIR—But I do not understand why the council feels that obligation.

Councillor Gough—We have an obligation under duty of care and safety.

CHAIR—So do other tiers of government. Why do you feel you have to take that obligation on if it is not fully funded?

Councillor Gough—The footpaths that go beside it and everything else that is not up to a particular standard need to be implemented, put in, and taken up to certain level. We have to put that infrastructure in. That infrastructure would normally be funded—or we would share in its funding—when the road is going through. It is not. It is something that we have to keep on doing.

CHAIR—I would like to clarify: is it the road or the footpath?

Councillor Gough—Both—and lighting.

Mr GRIFFIN—I want to walk you through an example that I think raises some interesting issues with respect to how these matters are handled. I suppose it relates to the first dot point of your recommendations in terms of the question of state government imposition of compliance et cetera. That is the question of the Food Act, which I mentioned earlier. Essentially, there has been a national review through what is now Food Standards Australia New Zealand. It is about the fact that more information is available about health issues in relation to food preparation et cetera. That is actually a major health cost.

You have an agreement reached between state and territory governments, which then leads to a range of compliance issues coming down through to local government. On the one hand they are, in effect, new responsibilities. They are responsibilities that have been recognised through research as something that needs to be done but as something that is additional to what was originally there. That is the first point. The second point is that a part of that relates to the question of public health compliance with respect to food preparation facilities, which historically, as I understand it, has been a local government responsibility. Essentially, because of information found elsewhere on a research basis, there has been, if you like, a redefining of a greater requirement and responsibility from a local government area but in a situation where, historically, it has been a local government responsibility. There is actually an argument to be put there that it is not so much cost shifting as the recognition of an additional responsibility, which is clearly your responsibility. How would you respond to that?

Councillor Gough—Indeed if it is in our area, it is our responsibility, but the regulations are phrased in such a way that it puts a cost on to us to actually fund the compliance with this particular area.

Mr GRIFFIN—It is not a question of the state or federal governments actually creating this. They have articulated it but, again, it is clearly your responsibility.

Councillor Gough—They have created it. It is their legislation that mandates that we go through certain processes. Those processes cost us money to implement and therefore that is actually paid for by the ratepayer. It is something that the state and federal governments—the state government in this particular case—will have put through with no question of the costs involved in the implementation. They believe that, by passing it and putting it through, it is implemented by magic. There is a real cost and there is a real cost in implementation.

Mr GRIFFIN—I do not disagree with the real cost aspect of it. My point is that federal and state governments—this is a joint thing—articulate what is, in fact, the responsibility of local governments. It is a responsibility which you were performing to the best of your ability, given the knowledge that you had of what was required; but through research it has become obvious that it needed to be done to a higher level. I would argue that that is not a cost shift, but a question of where other information has become available. To use an example—this is not a current example—if something happens nationally and there is recognition that there needs to be a national effort put in by the national government to deal with that issue—in other words, it is the national government's responsibility but it has not been created by the national government, it has been as a result of circumstances. In that example, I would argue that the question of better regulations around public health are things that have been identified elsewhere, but are, again, clearly a local government responsibility. I do not think that you are accurate to argue that is strictly a cost-shifting situation.

Mr Draper—We are not saying that is a cost-shifting issue. That was one of the compliance issues in there. We would agree with you in that, when many of the programs and services are reviewed, the philosophy and objective behind an improvement are very sound. The fact is that the dollars do not come along behind it to actually implement it.

Mr GRIFFIN—My point is that if it is your responsibility in the first place then it is your responsibility. It is not a question of dollars coming from other areas of government to provide for it.

Mr Draper—In those cases, if it is a shared or partnership arrangement, you would believe that you would get adequate funding from the other partner to assist in that implementation phase or to allow local government to raise its rate effort to accommodate that change.

Mr GRIFFIN—I understand the second point, but I think that there is an overall issue here about the fact that whenever something is identified it is immediately pushed.

Councillor Gough—If it is purely a local government issue and a local government responsibility, then local government should be the body that makes the changes to the regulations to put it through. But, if you have another sphere of government passing rules and regulations and then passing them down for someone else to implement, and it is not a partnership, I do not believe they should be doing that. If it is a partnership, then we are requesting that all the partners pay their fair share.

Mr GRIFFIN—The problem is that, if a public health issue is recognised elsewhere and responsibility is then allocated for it, you are still arguing the fact that you should not have to pay for it.

Councillor Gough—We are arguing the fact that while people are considering issues we should also consider the cost of compliance and the cost of rolling it out.

Mr NAIRN—You have detailed a number of areas such as underfunding, cost shifting et cetera—and it is great that we have some dollar values put on things, similar to an earlier submission today. You have noted tree clearance near powerlines and said that it was previously a responsibility; that is a good example. In a lot of these examples it is often very difficult to clearly demonstrate that it used to be somebody's responsibility but now it is somebody else's. There is usually a slight change over years: something is funded, then jointly funded and then funding drops off.

Mr ALBANESE—That is what happens when you privatise utilities, Gary.

Mr NAIRN—But this particular case is clearly one where at one point in time it was being done by somebody else and paid for by somebody else, and then immediately after it was done by the council. Can you go through how council has ended up with that cost?

Councillor Gough—I guess it was a privatisation of the power—

Mr ALBANESE—Wait until Telstra.

Councillor Gough—In the past that clearance was done by the SEC but it is now done by the privatised companies, and that infrastructure is there as a carrier infrastructure and the responsibility for doing that is now carried by councils.

Mr NAIRN—How is that now a responsibility of council? That is what I am trying to get at. What happened? Who said what; who passed what and when was it said, 'Yesterday, an electricity authority'—whether it was public or private is irrelevant—'cleared trees around powerlines'—

Mr ALBANESE—It is totally different, Gary.

Mr NAIRN—No, it is not. I am just trying to get to the bottom of how it occurred.

Councillor Gough—It occurred through the restructuring of the power industry in Victoria. I do not personally know that particular thing, but I do know that we are now responsible for the clearance around those powerlines. The area is public land but we do not get rates or any other return on infrastructure from private utilities on public land, but that is another issue for another day. The fact is that this is a cost and we are outlining the costs of Manningham in detail that we believe we have taken on, and that is just one case.

Mr NAIRN—I appreciate that.

Councillor Gough—We can confirm that process, if you like.

Mr NAIRN—I would like to know if there was a piece of legislation or whatever.

CHAIR—I think we have been told that it was a piece of legislation, but you might like to confirm that for us.

Councillor Gough—Yes.

Mr KING—Is the recurrent impact on operating statements an annual impact. When you talk about \$4,062,000, are you suggesting that that is an ongoing recurrent cost?

Councillor Gough—That is an ongoing recurrent cost.

Mr KING—I noted that some of the items you have set out in your schedule are one-offs.

Councillor Gough—Yes, that is part of \$3.5 million and would have been over the past few years, but not many. It is fairly recent.

Mr KING—So the \$3.5 million is a one-off capital cost?

Councillor Gough—There are some capital costs, yes.

Mr KING—Have you been careful to distinguish between the recurrent operating costs and the capital costs?

Councillor Gough—They are detailed there. When they are capital costs we have those in there. A lot of them deal with compliance, such as at child-care centres, kindergartens and so on. Those compliance costs have converted into capital costs to the council.

Mr KING—I have to say that I am not entirely convinced about that. Nonetheless, I think it is a very useful starting point and a very helpful table. One of the Boroondara costs that you do not include in your schedule is the Disability Discrimination Act infrastructure upgrade costs, which they say is \$18 million. Why is that not included in this program?

Mr Draper—I thought we had that in there somewhere.

Mr KING—There are a number of discretionary payments that require councils to try to address national standards—this is part of the accreditation process from an indirect point of view. It seems to me, as a former councillor, that the way for a council to adopt a sensibly structured financial program to address these sorts of challenges would be to do it over a series of years. Take the typical example of a footpath upgrade; that needs to be done every five or 10 years. If you have a 20-year program to make sure you comply with the Disability Discrimination Act, you would build that into your footpath improvement program. Is that the reason you do not include that in your cost-shifting schedules? To me that would make sense.

Mr Draper—We do; we have what we call an infrastructure asset refurbishment replacement strategy. We have a budget at the moment of \$4 million per year that goes towards upgrading all our facilities. Once you change a building, you have to then comply with the DDA requirements. It is not retrospective, but as you do touch it, if there is something in there that

might be in the children's services area, with the new regulations it will have to become DDA compliant.

CHAIR—Mayor Gough and Mr Draper, thank you very much for coming before the committee and again thank you for your comprehensive submission; it is certainly very valuable.

[5.32 p.m.]

GARCIA, Mr Allan Michael, Manager, Policy, Local Government Association of Tasmania

MASON, Councillor Lynn, President, Local Government Association of Tasmania

CHAIR—Welcome. I remind you that, although the committee does not require you to give evidence under oath, the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House, and the giving of false or misleading evidence is a serious matter. The committee has received your submission, for which we thank you very much. Would you like to make a brief opening statement before we proceed to questions? Given the very tight time frame, if you are agreeable we might resume this at another stage to give you the opportunity to put forward your case—hopefully when we are in Tasmania.

Councillor Mason—We shall be brief. We would appreciate very much the opportunity that would be provided if you did come to Tasmania, and I know there are other councils down there who would also appreciate that opportunity. At the outset, I think it is important to note that local government in Tasmania has been engaged in partnership processes with our state government—which may put us in a slightly different position from other local government areas in the country. Through the Premier’s Local Government Council and through various partnership agreements, we are negotiating a financial relationship study, if you like. At this time we are not certain of the outcomes, but we are examining our financial relationship with the state government, so perhaps we have already progressed some way down the track of considering what cost shifts have taken place.

The overview of the Tasmanian situation is that our population is ageing more rapidly than in other parts of Australia. For local government this is a matter of particular concern. While most areas in Australia are concerned about the changing demographic of the Australian country, in Tasmania it is happening faster. Our revenue sources for local government in Tasmania are therefore suffering, and we are finding it difficult to work out just how we are going to make recompense for an ageing population with a tax system that is based primarily on property.

We accept regionalisation is a reality. Councils are working more closely together, simply because they have to. It is producing some benefits, including a more efficient use of resources. One of our concerns with regionalisation is that a regional body, particularly a government regional body, will become a dumping ground for other roles and functions that are seen as being too difficult for either the state or individual councils. From page 26 in our submission we detail a broad range of responsibilities that have shifted from state to local government. We arrived at that through a survey that was undertaken of Tasmanian councils. We have not actually put costs in there but as the local government association, we have given you a broad range of the kinds of additional responsibilities or direct cost shifts that have occurred in Tasmania.

On the matter of Commonwealth funding, from our point of view this is not just a look at cost shifting but also a look at function shifting. If we start to examine both cost and function shifting, then we have to start thinking about how we are going to recompense the ones who are bearing the increased functions or the additional costs. Our experience of the Roads to Recovery

program has been pretty good in every way, and the councils in Tasmania have appreciated the fact that the direct funding has gone from the Commonwealth straight through to councils. Some of the advantages of this have been pretty minimalist administration costs, reasonable criteria for councils to fulfil, a rapid approval process and the fact that councils are committed to a very direct spending and usage program. There has been no linkage of administrative funds to the states. For this reason we would like to see some examination of further efforts by the Commonwealth to pass funds directly through to local government, as we see that as a more efficient way of going about it. Allan, are you happy with that?

Mr Garcia—That is all, because I think the committee would prefer the opportunity to answer questions.

Mr NAIRN—We have asked a number of local government people in various states how national competition policy has worked and whether national competition payments that are made to the states find their way to local government. There were various examples given to the committee about the impact of national competition policy on local government, and it would seem that every state is different. What is the situation in Tasmania in that respect? Or has that aspect been part of this partnership thing you are working on with the state government?

Councillor Mason—No, it has not. It was difficult not to smile as you spoke there because there seemed to be, almost by implication, the idea that we as local government would have borne some of the costs of the implementation of NCP, that we would have got some share of the payments. In the case of Tasmania, it is an issue that we have raised with the state government on many occasions and the answer has been consistently no, you are not getting any. It is a payment directly from the federal government to the state government and there is no way that any share of NCP payments will be passed to local government in Tasmania.

Mr NAIRN—On the issue of unrateable land and state or Commonwealth corporations paying rates or not paying rates, what is the situation in Tasmania?

Councillor Mason—That is part of the examination of the financial relationships that is currently being undertaken and has been on the drawing board for 15 months or so. It is certainly a vexed issue for local government in Tasmania. That particular working paper has been to the Premier's Local Government Council once, and we are expecting that by June next year we will have a resolution of that. The first step, however, was to get agreement that these lands could be valued. The complexities of the issue are slowly been worked through, but the situation at the moment is that while the state government is looking at it, one of the issues for local government is how to then resolve the inequities that will occur for local government.

Mr NAIRN—Has that been accentuated in recent years with a lot of land going into national parks and reserves and things like that as part of forestry changes? Or was that land not rateable anyway before those sorts of things occurred?

Mr Garcia—There has been no change really. Fundamentally, it is always been crown land and as such has not been rated. But, to add to what Lyn has indicated, in terms of that crown land which is either in state-owned corporations or in government business enterprises, an issue for us is that it is being dealt with within the confines of this financial reform process, which has a revenue neutrality factor around it. So whether or not we inherit squillions of potential rateable capability through those operations, the bottom line is that we need to come to an

agreement on a line. To the extent that the government needs to conform with its national competition policy obligations, it has an opportunity to establish a suite of arrangements for tax equivalents and the like. So we will possibly get so far with reform, to the extent that will be able to rate certain government authorities, but it will not go all the way.

Mr ALBANESE—In your submission you use airports as an example of cost shifting. You say:

At least four councils in the State have taken over ownership of local airports. While funded by the Commonwealth for initial upgrading, ongoing support for maintenance has not been forthcoming.

Why should it be?

Councillor Mason—I can speak to this one, because up until tomorrow night I am still mayor of an island council which had its airports handed over to it under the local airport ownership program. I will still be a councillor, but I will not be mayor after tomorrow night.

Mr ALBANESE—Commiserations.

Councillor Mason—Yes, it is awful! The situation with the airports was that when Flinders council reluctantly had to take ownership of its airport it was given the amount of \$1.2 million, of which set amounts had to be used for upgrading of the terminal building and so forth. At the end of that time we had approximately \$700,000 left. We have had to spend some more of that because we had no sealed runways and we had to seal a runway. We are still running on Piper Chieftan aircraft and if we going to have any kind of upgrade of the air service, we have to get out of piston engine aircraft into turbo aircraft, and they will not land on unsealed runways. That cost half a million dollars—we got \$200,000 from the Commonwealth, \$100,000 from the state government and we had to put \$200,000 in ourselves.

One way or the other that pool of money that we started off with has now diminished down to about \$350,000. Of that, the interest, at five per cent, goes some way towards offsetting the costs of the airport but without depreciation—and this is talking about a rate base where our rates income comes to about half a million dollars—the cost of running that airport in sheer, cold, hard cash costs the ratepayers an extra \$120,000 a year. That is not allowing for depreciation, and that is with only one sealed runway.

This cost was originally borne by the Commonwealth. We are not getting any state assistance, because the state says that it has nothing to do with them and that is it is our transport. Unfortunately, from our point of view, we live on an island in the middle of Bass Strait and it is the only way on and off. As far as we are concerned, that is a classic cost-shifting exercise where we are not getting any assistance from either level of government and it is expensive.

Mr ALBANESE—To go back a step, why did the handing over of the airport occur?

Councillor Mason—Under the local airport ownership program we had no choice; we were given the airport. We were given it with the money, but the money is constantly diminishing.

CHAIR—Given the time frame, we would welcome another opportunity to meet with you. Before I wind up, I welcome Senator Crossin and thank her for coming along. To the Tasmanian

Local Government Association, I say that I am sorry to cut you a bit short, but to do justice to the amount of work that you have put into this I think it would be better to have another go at it. But given the time constraints I think we might wind it up there.

Resolved (on motion by **Ms Gambaro**):

That this committee authorises publication, including publication on the parliamentary database of the proof transcript of the evidence given before it at public hearing this day.

CHAIR—Again, thank you very much for coming along. One of the things that has come out of today's hearing is the point that the first achievement of this inquiry is really happening already—that is, there is a real focus on the extent to which cost shifting on to local government has been going on. From that perspective, the committee is very pleased to see what is happening. I believe we have achieved quite a bit so far, before we have even had the opportunity to report back to parliament. Thank you again to everyone who came before the committee today, and thank you to my committee.

Committee adjourned at 5.46 p.m.