

26 July 2002

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

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

In response to your letter of 13 June 2002, this is a preliminary submission on behalf of the City of Boroondara. This submission includes identification of potential cost shifting from both the State and Federal governments.

As an initial comment, it should be noted that local governments do not have access to growth taxes and are required by legislation to set rates each year at a level to meet budgeted expenditure. As property values increase, the rate in the dollar is generally decreased and total rate revenue maintained at a sufficient level to meet necessary expenditure. Although this system has the advantage of public transparency, it also leads to a public expectation that rates will not increase beyond the rate of inflation. There is limited public understanding of the impact on Council budgets of cost shifting, asset renewal, and rising community expectations.

We are currently preparing financial impact statements with regard to identified cost shifts which will be forwarded to the Committee. We are aware that some of these matters will also be raised by other Councils such as Manningham, Maroondah and Greater Dandenong. The contributions of these local governments to this submission is acknowledged.

We suggest that some of the issues of cost shifting the Inquiry should focus on include:

- The current need for local governments to invest significantly in infrastructure renewal.
- State and Federal government grant funding that does not keep pace with inflation, community needs, or service demand or the increased operating costs of Council, e.g. HACC and Libraries.
- The impact that State and Federal government policies, e.g. deinstitutionalisation, have had on Council services.
- Fees and Charges for local government services which are controlled by State and Federal governments and which are set at inadequate levels to meet Council costs, e.g. Statutory Planning, Local Laws and Building Surveying Services.

This submission is a preliminary assessment only and will be followed by a more detailed analysis of all Council activities affected by cost shifting, and the financial impact of this cost shifting over the last five years.

A preliminary list of the areas of cost shifting experienced by Boroondara City Council is attached. This list will form the basis of a more detailed submission which will be forwarded to you shortly.

Yours sincerely

Peter Johnstone
Chief Executive Officer

Attach.

Our ref: File No: 60/607/00010