

At the Crossroads – A Discussion Paper
Summary of Questions
Responses from Maroondah City Council

Changing Role of Local Government

1. **Question:** Is there a need for significant changes to local government's current package of roles and responsibilities?

Response: Yes - if current levels of cost shifting are maintained, then either local governments' ongoing viability will be threatened or it will be financially unable to fully conduct its current package of roles and responsibilities

2. **Question:** Should there be greater differentiation of responsibilities between larger, better resourced councils and those with small populations and limited revenue?

Response: If smaller councils are currently financially and/or physically unable to conduct their current package of roles and responsibilities, and if there is no future redress of their resourcing shortfall (from external and/or internal sources), then such councils would become non-viable and their ongoing existence would be threatened.

3. **Question:** Is there a need in some regions for restructuring to improve the viability of councils?

Response: Yes - if restructuring has a positive impact on the resourcing shortfall then it should be seriously examined. However any such proposal should be balanced against the possible resultant diminution of 'communities of interest'.

Nature and Extent of Cost Shifting

4. **Question:** Is cost shifting a growing problem?

Response: Yes. The Standing Committee on Economics, Finance and Public Administration has already acknowledged that Maroondah's earlier submission to the Inquiry demonstrated that cost shifting is a current and growing problem.

5. **Question:** Are there examples of successful State-local government arrangements to deal with cost shifting?

Response: In Victoria, initial efforts are under way to establish Memorandums of Understanding between State and Local Government in the areas of Home and Community Care and also Maternal and Child Health. There is hope in local government circles that such endeavours will, over time, address the mechanisms for funding growth.

6. **Question:** How might the Commonwealth promote a more comprehensive approach to reducing cost shifting?

Response: Given the nature of the relationship (ie. both legislative and practical) that local government has with State government and given local government's lack of Federal constitutional recognition, we see such promotion as a very difficult task. Apart from playing a strong facilitating role through pro-active intervention, it appears to us that only legislative change or a 'quid pro quo' approach to Federal/State funding flows may bring such desired reduction into effect.

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Local Government Revenue Base and Scope for Borrowing

7. Question: What specific steps might be taken to generate significant increases in income from local government's established revenue base?

Response: It is extremely difficult to foresee steps that may be taken that will not have a consequent negative effect in another area. At the end of the day the community must pay for the services it receives – one way or the other – it is only a matter of how those additional charges are eventually manifested (either as taxes, rates, levies, surcharges, tolls, user fees, fines etc as well as the domino effect from higher prices for goods and services) and how equitably the full impact of those charges is spread across the community (where there are innumerable beliefs about what is equitable!). If local government had the answers to this question it would have pursued them long ago.

Over and above this there are two other points that need to be made:

- a) it is pointless to raise charges in already desperately poor communities when it is recognized up front that the charges cannot be collected; and*
- b) gains will continue to be made from increasing efficiency within local government (eg from Best Value programs, technological advances etc) but these may not be made at a rate fast enough to offset increases in base costs of operation. Municipalities should be asked to demonstrate their efforts and outcomes in increasing efficiencies as part of any arrangements for increased funding.*

8. Question: How might a betterment tax in locations of rapid growth work in practice?

Response: Councils in growth corridors may be in a better position than Maroondah to respond to this question.

9. Question: In what ways should the certainty and predictability of financial arrangements with other spheres of government be improved?

Response: Connecting the growth of grants to local government to eg.

- a) well known and reasonably predictable indices (such as CPI or AWOTE)*
- b) a specified percentage of Commonwealth/State tax takes*
- c) the actual levels of customer services supported by tied grants*

would certainly assist in this regard. Another method of ameliorating the effect of movements in grants is to use a moving yearly average (eg over 3 years) as a 'smooth out' mechanism.

Financial Assistance Grants

10. Question: Is there a case for reducing or abolishing the minimum grant?

Response: It is argued by smaller and poorer municipalities that minimum grants should be removed/diminished and the resultant funds should be directed their way. Whilst their plight is understood and appreciated Maroondah believes that reducing or abolishing the minimum grant is not the way to fix the problem. Two points need to be made:

- a) the level of any Council's cash reserves at a particular point in time is not an indicator of whether a Council can 'afford' the removal of its minimum grant. Such level of affordability is better measured by an examination of its Long Term Financial Plan as well as the ebbs and flows of its cash and investments during the year.*

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b) *notwithstanding the issue of cash flows, any Council's shortfall resulting from abolition of the minimum grant needs to be made up on an annual basis, not just by a once-off dip into their cash. This means finding another source of revenue – which in turn reverts back to our response to Question 7 above.*

11. **Question:** Is there scope to adjust the inter-state distribution and rationalise the different arrangements for general purpose and local roads grants, assuming both remain untied in the hands of councils?

Response: This is a critical question that lies at the very core of the distribution of Federal grants. Paragraphs 3.39 to 3.48 of the At The Crossroads discussion paper succinctly argues the pros and cons of the question but fails to mention the alternate ideological bases of 'distribution of wealth' that drives those bases. Maroondah believes that the per capita based interstate distribution and the needs basis of intrastate distribution is the correct blend of the two bases and accordingly submits that this blend (or like) be retained.

12. **Question:** Would the FAGs system benefit from a clearer statement of Commonwealth policy direction and a formal intergovernment agreement on objectives and processes? If so, how should this be done?

Response: Any statement/agreement setting out policy, objectives and processes would assist in facilitating the operation of the FAGS system. At the moment each municipality plays the game of 'trying to maximize your grant' at the expense of other councils playing the same game in a scenario where none of them fully understand the rules of that game. This is a recipe for waste of effort and perennial frustration.

Maroondah believes that the Federal Government should take the lead on this matter and that its proposals should be processed through COAG.

Infrastructure Maintenance and Improvement

13. **Question:** What is the scope for specific measures to enhance local government's revenue base to meet infrastructure needs - for example, infrastructure levies and increased borrowing?

Response: By way of a general response to this question, reference is made to Maroondah's position as outlined under Question 7. above. Further comment is now offered in respect of three possible sources of large scale funding of infrastructure:

- a) *Levies – This is Maroondah's preferred source of funding which it has been applying for the past few years. It is our intention to continue to apply the levy to the general rate until the amount of the levy so raised equates the recommended target for infrastructure renewal.*
- b) *Borrowing – Council status is that of a 'low growth' municipality and as such it generally pursues a 'no borrowing' policy. More particularly, Council will presently only considering borrowing for new capital projects where the associated proposed revenue stream is sufficient to service the loan. Council does not consider borrowing for renewal projects as appropriate policy.*
- c) *Public Private Partnerships – Due to the higher cost financing structures that are inherent in these funding structures Council regards them as a high cost form of borrowing and would only consider them in circumstances outlined in b) above.*

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14. Question: How could supplementary Commonwealth assistance continue to be financed within the constraint of budget neutrality?

Response: Very difficult to foresee. Perhaps a present injection of Commonwealth funding could be paid for by offsetting reductions to future grant flows – this will allow municipalities to build their revenue base over time.

15. Question: How could the States also provide increased support for local infrastructure?

Response: Recognition of the huge financial burden facing municipalities and working closely with them to find mutually acceptable funding solutions would then be an initial beneficial step. In this regard the Victorian Local Government Infrastructure Study (“Facing the Renewal Challenge”) issued in December 1998 by the State Government was a useful work which in part provided that recognition. Consideration for this Study to be conducted on a national basis may be appropriate.

Regional Co-operation

16. Question: Taking into account inevitable limits on funding, what are the strategic priorities for Commonwealth involvement in regional planning and development?

Response: Paragraphs 3.55 to 3.58 underline the important contributions of ROCs (Regional Organizations of Councils) and municipal concerns about over bureaucratizing their ongoing support and success. Maroondah agrees with the content of these paragraphs and sees the Commonwealth’s involvement as mainly facilitation of Australia wide growth of ROCs in a manner which increases the chances of cross fertilization of good ideas, which anticipates and diverts around ‘road blocks’, and which assists in streamlining the associated intergovernmental processes.

17. Question: On what basis would local government be willing to resource a strong, effective system of ROCs across most of Australia and significantly expand the level of regional cooperation and resource sharing amongst councils as a key element of service delivery?

Response: This will depend of course on the view of individual Councils and on the collective views of their State associations. To the extent that Maroondah could see the growth of its participation in ROCs as either a prospective reduction in costs, increase in revenue, enhancement in service delivery or gain in efficiency, then it would be prepared to contribute internal resources to explore and develop these possibilities. The extent to which such internal resources may or may not contain cash funding will depend on the budget constraints at the time – obviously advance planning would assist in this regard. Maroondah’s experience thus far with ROCs in action is that they have been useful planning instruments but that they tend to be unwieldy service delivery mechanisms.

Scope for Rationalization

18. Question: What are the specific areas in which local government sees a need to rationalize roles and responsibilities with the Commonwealth and States?

Response: The greatest scope for rationalization is present in scenarios where two or three levels of government are involved in either funding, delivery or acquittal matters associated with the provisions of services to the community and where such involvement has added cost

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and delays to the overall process. It is recognized that these scenarios will vary on a state-by-state and region-by-region basis, however from Maroondah's point of view it is suggested that possibilities for rationalization may exist in the areas of Home & Community Care and Community Aged Care packages together with associated funding from the Department of Veterans Affairs. Each of these have different funding/procurement models that create duplication of administration. Further it has been observed via Maroondah's participation in both the State and Federal reform initiatives being conducted in the Primary Care area, that duplication and overlap is also resulting in waste of resources and effort.

19. **Question:** Is there sufficient exchange of information between States on 'best practice' inter-government relations? If not, how could such exchange be improved?

Response: Maroondah submits that the level of exchange of information is generally at a low level and can certainly be enhanced. In answer to 'how', reference is made to the possible involvement of the Commonwealth as included in our response to Question 16 above. We see that such involvement could include the resourcing of a 'best practice' database where such database was easily accessible to all municipalities and where participation by all interested parties was encouraged, recognized and maybe rewarded.

20. **Question:** Should the approach advocated for AusLink be applied more widely? If so, what would be priority areas?

Response: To the extent that Auslink has a framework that involves a tripartite inter-government agreement, a national advisory body, co-operative strategic planning and increased local government input into funding decisions, then Maroondah supports such an approach – providing that significant funds that would otherwise be spent on 'true' service delivery are not lost to over- bureaucratization.

Capacity Building and Accreditation

21. **Question:** Should capacity building for local government be approached on a national basis? If so, what are the priorities for a national program?

Response: Yes, any capacity building program should be on a national, rather than a State or regional basis where the possibility of extending the divide between varying State practices is exacerbated. Local government would argue (correctly, in Maroondah's view) that its management is in the best shape it has ever been, whereas At The Crossroads (para. 3.71) suggests that a more concerted effort is required. Therefore multi levels discussions should be held to identify and agree on areas still requiring improvement and priorities for the national program - appropriate organizational frameworks should then emanate from those discussions.

22. **Question:** What sort of organisational framework is required to ensure an effective capacity building effort?

Response: Refer response to Question 21 above.

23. **Question:** Would local government support some form of accreditation assessment in return for an increased role in the administration of Commonwealth programs?

Response: Maroondah would support such a proposal providing it was convinced that it was both cost beneficial (given the assumed bureaucracy inherent in such a proposal) and also was

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a structural improvement in the longer term. This proviso should have a positive outcome for both Maroondah individually and for the industry as a whole. In addition Maroondah submits that the great majority of tied grants have built-in accreditation standards that are already being met by Council.