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Standing Committee On Economics,  
Finance and Public Administration

Inquiry Into Local Government and Cost Shifting

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Submission by Maroondah City Council

Braeside Avenue, Ringwood, 3134



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## Executive Summary

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Maroondah City Council is pleased that the House of Representatives Standing Committee on Economics, Finance and Public Administration is conducting this Inquiry into cost shifting and thanks the Committee for the opportunity to forward a submission.

In presenting this submission, Maroondah City Council fully endorses the comments made by Wilson Tuckey MP when announcing this Inquiry:

*“It is clear to me that there is a more general need to address the roles and responsibilities of Local Government, including the current funding and other financial arrangements applying to the sector... Councils are, after all, best placed in our Government structure to understand and address the needs of their people. They are closest to the community.”<sup>1</sup>*

Maroondah City Council has reviewed the Terms of Reference and in responding to this Inquiry has broadened the criteria to include all factors impacting on Local Governments’ financial capacity to provide services and facilities to local communities, whether they are driven by Federal or State Government initiatives. This is the only way that an accurate and truly reflective picture can be obtained of the current issues being faced by Local Government, and Council respectfully anticipates that the Committee will accept this logical extension to the Terms of Reference.

As detailed in Terms of Reference 4, Maroondah has estimated that approximately \$4.66 million was diverted from service programs and infrastructure upgrade/maintenance works in 2001/2002 to cover the costs of these additional activities and responsibilities. This is over 8% of Council’s annual budget.

This is occurring at a time when General Purpose Payments (GPPs) are continuing to reduce in real terms (e.g. in 1996/1997, GPPs represented 9.8% of Maroondah City Council’s total revenue, whereas in 2002/2003, GPPs are budgeted to represent only 6.6%) and Local Government Authorities (LGAs) are already under funding capital expenditure renewal by significant sums each year (a 1999 State Government review estimated Maroondah’s underfunding of annual capital renewal at 42%.)

The simple fact is that Local Governments’ roles and responsibilities have increased significantly over the past 10 years as a result of shifts in responsibilities from the State and Federal Governments. These increases have not been matched with equivalent access to additional income or funding streams.

Local Governments’ traditional income bases such as property rates, fees and charges have in the past been capped or subject to restrictions, and realistically have finite levels which the community can reasonably bear. More importantly, the other income sources, general and special purpose grants, are paid at the pleasure of other levels of government and as such are subject to discretionary pressures beyond any LGA’s control.

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<sup>1</sup> Wilson Tuckey, MP – Invitation to Submit Responses to Inquiry, 14 June 2002.

A real and concerning financial crisis is looming for Local Governments, unless the three spheres of government work together to ensure that appropriate and ongoing funding is made directly available to the level of government “closest to the people”. The ongoing impacts of this financial crisis for Local Government will be restriction of vital services and the continued deterioration of critical infrastructure assets.

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# Term Of Reference 1

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## "Local Government's Current Roles and Responsibilities."

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Local Government's roles and responsibilities are broadly defined in the Local Government Act 1989<sup>2</sup>.

The purpose of a Local Government is:

- “(a) to provide for the peace, order and good government of the municipal district; and
- (b) to facilitate and encourage appropriate development of its municipal district in the best interests of the community; and
- (c) to provide equitable and appropriate services and facilities for the community to ensure that those services and facilities are managed efficiently and effectively; and
- (d) to manage, improve and develop the resources of its district efficiently and effectively.”<sup>3</sup>

The objectives of the Local Government Act, and the associated responsibilities of meeting these objectives, clearly identify Local Government as the key level of government in respect of local area planning, service coordination and as the truly elected representatives of local community interest. The objectives are:

- “(a) to coordinate with all other public bodies to ensure that services and facilities are provided and resources are used effectively and efficiently;
- (b) to coordinate with other public bodies to ensure that services and facilities are provided and resources are used effectively and efficiently;
- (c) to ensure adequate planning for the future of its municipal district;
- (d) to represent and promote the interest of the community and to be responsive to the needs of the community;
- (e) to formulate comprehensive policies and set performance targets;
- (f) to develop, implement and monitor its strategic plans and budgets;
- (g) to develop, implement and monitor its corporate and financial management control techniques;
- (h) to raise funds for local purposes by the equitable imposition of rates and charges and by obtaining borrowings and grants;
- (i) to delegate decision making to appropriate levels within the organisation;
- (j) to develop and implement coordinated personnel and industrial relations policies;

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<sup>2</sup> The Local Government (Update) Bill 2002 is currently before Victorian Parliament. If enacted in proposed form it makes significant amendments to the sections referred to in this response. These amendments do not reduce in any way the roles and responsibilities of Local Government, but rather update the definitions to be more reflective and encompassing of Local Government's current breadth of activity and responsibility. Additionally, they include an amendment to the State Constitution Act 1975 to recognise Local Government as a distinct and essential tier of government. Whilst this is a positive step, it is still of vital importance that Local Government be recognised in the Federal Constitution in terms of long term viability and credibility as a legitimate tier of Australian Government.

<sup>3</sup> Local Government Act 1989, Part 2, Section 6.

- (k) to facilitate accountability at all levels within the organisation by maintaining suitable information and reporting systems;
- (l) to promote and undertake research into any matter relating to the Council's objectives, functions or powers.”<sup>4</sup>

Appendix A identifies the functions of government as documented in the Local Government Act 1989. The depth and breadth of these responsibilities are further indication of the complexity of Local Government's role, given that its key responsibility is local governance and that service delivery is a secondary activity.

Whilst broad based, the above purposes, objectives and functions do not accurately encapsulate a further fundamental issue in respect of Local Government, i.e. that Local Government is the level of government closest to the community. It is the level of government with which the greatest percentage of people has the highest level of contact. It is also arguably the level of government for which the expectations of local communities have most greatly expanded in the last 20 years (in respect of the types and levels of service and planning activities).

This increased expectation includes a strong emphasis on the provision of “human services” (e.g. aged and disability services, crime and safety programs, community development and engagement programs, gambling etc.) in addition to the more traditional “roads, rates and garbage” responsibilities of an LGA. The provision of these programs fills a key void in the service system, however obvious tensions are developing as income streams are not expanding accordingly. This lack of appropriate income growth has manifested itself in many LGAs via a decrease in capital expenditure (including infrastructure maintenance), which has significant mid to long term implications.

Despite its extensive and expanding roles and responsibilities and being the level of government with the greatest community interest and local area planning control, LGAs are also the only level of government in Australia to not be recognised constitutionally.

The case for constitutional recognition of Local Government is particularly relevant to this Inquiry. The ongoing refusal to formally recognise that our Federal system has three spheres of Government working in partnership has significant implications in respect of LGAs' ability to access appropriate funding levels and tax streams to enable viable operation of LGAs well into the 21<sup>st</sup> century.

As discussed later in this submission (Term of Reference 4), cost shifting is a factor to a degree in respect of many LGAs inability to effectively meet all current service and infrastructure requirements, but other key factors are increased regulatory responsibilities (compliance), increased roles and responsibilities and an inability for LGAs to access additional and appropriate income/tax streams (under funding).

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<sup>4</sup> Local Government Act 1989, Part 2, Section 7.

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## Term Of Reference 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."

Maroondah City Council, as with all LGAs, raise revenue from three main sources:

- 1: rates, fees, fines and charges;
- 2: general purpose payments (GPPs); and
- 3: specific purpose payments (SPPs).

GPPs and SPPs are paid at the pleasure of other levels of government and as such are subject to discretionary pressures beyond any LGA's control. The use of CPI as the mechanism for increasing grants does not match the increases faced by LGAs as costs are in fact increasing in line with adjusted weekly earnings (which research has shown is significantly above CPI)<sup>5</sup>. For example, in 1996/1997, GPPs represented 9.8% of Maroondah City Council's total revenue, whereas in 2002/2003, GPPs are budgeted to represent only 6.6%.

Overall, this results in a shortfall for LGAs that at the moment can only be funded by increases in rates or fees. As these are not viable options (as discussed below, increases to date in these areas have already stretched residents' ability to shoulder additional burden to the limit) the result is reduced service levels and restricted expenditure in respect of infrastructure renewal and maintenance. In 1999, the State Government identified that Maroondah City Council was under funding capital expenditure renewal by 42% each year. A further State Government review in 2002 has confirmed that LGAs are struggling to find funding to even begin to meet this shortfall.

In Victoria this problem is heightened as a result of forced decreases in rate bases of approximately 20% in 1995 as a result of amalgamations, followed by rate capping in ensuing years. Whilst some efficiencies from amalgamations were achieved, the rate decrease and capping impacted on real growth. This problem was partly addressed via asset rationalisation, but as the number of appropriate assets available for sale diminished the funding gap widened. The other alternative to addressing the shortfall of funds (due to restrictions/capping) was restricting and/or reducing services (either the range and/or volume).

Stating this dilemma another way, the growth in Council's main sources of revenue has been unable to match the growth in its roles and responsibilities.

This is reflected in the trend of grants as a percentage of total income decreasing over time. The suggestion of an allocation of monies from other levels of government to fund the extra roles and responsibilities is appropriate in theory but certainly has not happened in practice, despite Council actively pursuing funding from other levels of government.

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<sup>5</sup> Municipal Association of Victoria - Working Papers – Cost Shifting Inquiry

Alternative funding sources from the private sector have been difficult to find and in many instances are inappropriate. Some LGAs have received funding from the private sector but the amount of time and effort required in securing these funds has shown very little net benefit.

When reviewing alternative income and/or tax streams it is important that LGAs current policy positions are not compromised. For example, Local Government in Victoria remains the only level of government that does not receive “direct” taxes or income from electronic gaming machines (EGMs). This is an important position which many Victorian LGAs remain committed to, and which a significant number of LGAs (including Maroondah City Council) have formally adopted.

The three spheres of Government need to collectively address using existing funding streams more appropriately, rather than “searching” for alternative funding (e.g. private funds) which may not be appropriate or viable in the long term.

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## Term Of Reference 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.”

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Given the increased roles and responsibilities of Local Government (via straight cost shifting, additional compliance requirements, and widening community expectations) LGAs are currently under pressure in respect of adequately meeting existing obligations let alone accepting and participating in an “enhanced role” in developing opportunities at a regional level. As is discussed throughout this submission, without access to additional (and ongoing) funding streams, many LGAs will struggle in the short to medium term to actually maintain current municipal service levels.

As discussed previously, this decreased capacity manifests itself in terms of both quantity and quality of services provided, and also via reduced maintenance and capital expenditure programs.

Whilst it is accepted that regional cooperation is important in delivering outcomes for the community, and in some cases providing economies of scale, the key issue still remains whether appropriate funding streams are available to provide services – either on a regional or municipal basis.

In considering any net financial benefits which may result from economies of scales, an important question is “can regional approaches (including pooling of funds) or regional outcomes provide better use of resources and better quality of services to local communities?” The key phrase in this question is “local communities”. Local communities have their own specific agenda and priorities and, whilst some of these may be met through regional approaches, experience has confirmed that not all are met.

Victorian LGAs, and specifically Maroondah City Council are already involved in numerous activities, both formal and informal, where a regional approach has been taken. The key to those activities which are the most successful (irrespective of whether funds are provided by Commonwealth, State or Local Governments) appear to be the projects where LGAs have joined together willingly to address common interests and created a shared vision rather than a “top down” or compulsory regional grouping.

For example, the Outer East Alliance (Primary Care Partnership Program) is an informal grouping of three LGAs and associated health and primary care agencies in the outer east of Melbourne. The decision for this informal alliance to be created occurred prior to policy directions from the Department of Human Services and was at the initiative of the LGAs.

This body has operated successfully now for over three years, with key elements of its success being the voluntary nature of involvement and the fact that all participating bodies have retained their autonomy and municipal focus, whilst participating in regional discussion and planning activities.



Whilst it is proper and appropriate to continue to consider each “regional opportunity” on its merits, participating in regional partnerships alone will not in any way address the broader issue of current under funding to LGAs and the direct impact on service provision and infrastructure programs.

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## Term Of Reference 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."

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### 4.1: OVERVIEW

Maroondah City Council has an annual total operating expenditure budget of \$56.2 million (2001/2002).

Analysis by Council of the impact on this budget of changes in the powers, functions and responsibilities between State/Commonwealth and Local Government have provided broad estimates of an impact in the vicinity of \$4.66m annually (see Tables below).

The vast majority of this increase (\$4,161,200) is as a result of service/program changes directed by the State Government (see Appendix B – Worksheet 1), however the overall issue of under funding to LGAs is a matter that requires addressing by the three spheres of Government.

<b>TABLE A</b>	
<b>ANNUAL INCREASED COSTS TO COUNCIL</b>	
<b>MAROONDAH CITY COUNCIL – RECURRENT ESTIMATES (BASED ON 2001/2002)</b>	
Additional Operating <sup>6</sup> Expenditure (recurrent)	\$3,280,000
Additional Capital Expenditure (recurrent)	\$140,000
<b>SUB TOTAL</b>	<b>\$3,420,000</b>
<b>Maroondah City Council – One –Off<sup>7</sup> Estimates</b>	
Additional Operating Expenditure (one-off)	\$548,500
Additional Capital Expenditure (one-off)	\$694,200
<b>SUB TOTAL</b>	<b>\$1,242,700</b>
<b>TOTAL</b>	<b>\$4,662,700</b>

Appendix B provides a detailed breakdown of the all cost estimates (operating and capital) by service area/activity.

### 4.2: DETAILED LISTING OF CHANGES IN POWERS, FUNCTIONS AND RESPONSIBILITIES

Outlined below by service area are examples of where changes in power, functions and responsibilities (moving from the State or Commonwealth Government to Local Government) have increased Maroondah City Council's roles and responsibilities (and therefore impacted on its financial capacity.) As noted above, for a detailed breakdown of cost estimates for each activity see Appendix B.

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<sup>6</sup> Operating expenditure (both recurrent and one-off) includes estimated \$ figures for additional staff time/resources and administration.

<sup>7</sup> "One-off" costs occur each year. The "one-off" estimates utilised in this calculation are a mixture from different areas to provide an indication of the types of "one-off" expenditure experienced by LGAs. It is anticipated that whilst the activities and Departments may vary each year, the one-off additional costs currently remain of a fairly constant level.

Each activity is coded as to whether the change is a directive/result of a delegation by State or Commonwealth bodies. Additionally, and importantly, the activity is then coded as per the following classifications:

**Compliance:** Additional costs/resources required as a result of compliance with new/amended State/Federal legislation.

**Under Fund:** Although funding may be provided for new/amended responsibilities it is insufficient or short term (e.g. one-off rather than recurrent).

**Shift:** Clear transfer of State/Federal responsibilities to Local Government Authorities (LGAs) with no associated funding.

**Excess Levy:** New or increased levies imposed on LGAs for no or insufficient return.

**Flow On:** Indirect costs which LGAs are responsible for as a result of compliance, under funding, or shifting of responsibilities.

The above classifications are important as they accentuate that straight “cost shifting” is only one aspect of why there is a potential funding crisis looming (and in many cases already existing) for LGAs.

A key impact of LGAs’ reduced financial capacity as a result of the above factors is under spending on capital items (including maintenance and renewal works) and reduced and/or more restricted service provision (i.e. HACC).

#### 4.2.1: Building Services

SERVICE ACTIVITY		State/Comm	Action
A	<b>BUILDING SURVEYOR INSPECTIONS</b>  Increased roles and responsibilities for Municipal Building Surveyor as a result of legislative changes which require increased inspections (e.g. Essential Services Inspections, Special Care Building Audits, Swimming Pool and Barrier Inspections, Smoke Detector Inspections).	State	Compliance Flow on
B	<b>CONSENTS AND REPORTS – BUILDING</b>  Proposed laws regarding “consents and reports” will provide additional work for Building Surveyors which fees will not cover. Building Control Commission (BCC) previously charged \$200 for this service whilst LGAs will only be allowed to recover \$100.	State	Under fund
C	<b>LODGEMENT FEES</b>  Legislated lodgement fee of \$15.00 for provision of information (to solicitors, surveyors etc) is insufficient (with more realistic cost estimates in the vicinity of \$150.)	State	Under fund

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
D	<p><b>SECTION 29 BUILDING ACT DEMOLITION AND REPORT</b></p> <p>Section 29 Demolition and Report is a complex piece of legislation to administer and the fee is capped at \$50.00 (with more realistic cost estimates in the vicinity of \$100.)</p>	State	Compliance Under fund
E	<p><b>SEWERAGE/WATER</b></p> <p>Relevant sewerage and water authorities are no longer checking plumbing water/sewerage fixtures. Further, no assistance / resources are provided when fixtures are causing nuisance. This has become responsibility of LGAs.</p>	State	Shift
F	<p><b>PRIVATE SURVEYORS' COMPLAINTS</b></p> <p>BCC is now referring all complaints about private surveyors to LGAs, even though they are the responsibility of the Commission.</p>	State	Shift
G	<p><b>PRIVATE SURVEYORS' INCREASE IN LIABILITY PREMIUMS</b></p> <p>The BCC has advised LGAs that there will be a dramatic increase in workload for Councils due to insurance costs spiralling for private building surveyors. Private surveyors have advised the BCC that as the increase in premiums is not sustainable many surveyors will be choosing not to renew their registration.</p>	Comm/ State	Shift

#### 4.2.2: Public Health Services

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
A	<p><b>EPA - INDUSTRIAL AND TRAFFIC NOISE</b></p> <p>A number of issues are being informally "delegated" by EPA to Environmental Health Officers (EHOs) to investigate and resolve. EPA is not providing support and resources to investigate complaints which are clearly part of their Act and policy area. Specific examples include traffic noise and industrial noise.</p>	State	Shift
B	<p><b>TOBACCO</b></p> <p>Tobacco Unit (Department of Human Services) continues to introduce new legislation which requires LGA enforcement with no associated funding or resources.</p>	State	Compliance

SERVICE ACTIVITY		State/Comm	Action
C	<p><b>IMMUNISATION</b></p> <p>Immunisation requirements have increased significantly (e.g. required vaccinations etc) with minimal or no additional financial assistance or resources.</p>	State	Compliance Under fund
D	<p><b>FOOD ACT</b></p> <p>Food Act requirements have increased significantly. The only source of income is from the annual registration fee which does not cover the administrative costs of enforcing the Act.</p>	State	Compliance Under fund
E	<p><b>HEALTH ACT AMENDMENTS – LEGIONELLA</b></p> <p>LGAs are now responsible for the registration, maintenance, and annual auditing of cooling towers.</p>	State	Compliance

#### 4.2.3: Statutory Planning

SERVICE ACTIVITY		State/Comm	Action
A	<p><b>RESCODE</b></p> <p>Introduction of Rescode has had a dramatic effect on the time taken to assess planning applications (far more complex legislation and higher level of expertise required to administer.)</p>	State	Compliance
B	<p><b>PLANNING FEES (GENERAL)</b></p> <p>Inadequate set planning fees which do not cover cost of administering the Planning and Environmental Services Act.</p>	State	Compliance Under fund

#### 4.2.4: Local Laws

SERVICE ACTIVITY		State/Comm	Action
A	<p><b>SCHOOL CROSSINGS</b></p> <p>School crossings (numbers) and associated supervision and administration costs (e.g. workcover) continue to increase with no additional subsidies/funding. Previously this service was fully funded.</p>	State	Under fund
B	<p><b>PARKING - STATE FACILITIES</b></p> <p>Enforcement of ever increasing parking problems around schools and hospitals. State policy is to not provide funds for parking around schools and hospitals, even if funding is being provided for major infrastructure upgrade.</p>	State	Shift Under fund

SERVICE ACTIVITY		State/Comm	Action
C	<b>DOG ACT – AMENDED LEGISLATION</b>  New legislation requiring Council to investigate and enforce provisions relating to restrictive dogs (no offset fees or subsidies).	State	Compliance
D	<b>REGISTRATION OF ANIMALS</b>  Council to collect and pay to State increased levy for registration which has no discernable benefits for residents or LGA (\$2.50 per registered animal)	State	Excess levy

#### 4.2.5: Information Technology

SERVICE ACTIVITY		State/Comm	Action
A	<b>INFORMATION TECHNOLOGY RESOURCES</b>  Increased projects/responsibility to service areas (including staff) will usually have an IT component, which is rarely fully funded externally (e.g. new equipment, software applications, licenses).	Comm/ State	Flow On (Indirect)
B	<b>SOFTWARE ENHANCEMENTS</b>  Software enhancements (required by Federal or State Government legislative changes) generally have no funding.	Comm/ State	Compliance
C	<b>E-BASED PROJECTS</b>  State and Federal Government “E based” Projects (e.g. Local Government On Line Services and Networking the Nation) are generally provided with initial funding, however for the objectives of the Federal/State Government to be maintained ongoing resourcing, hardware, software and communications maintenance become recurrent funding issues for LGAs. Rural/regional Councils receive some funding whilst metropolitan Councils do not.	Comm/ State	Under fund Shift

#### 4.2.6: Community Services

SERVICE ACTIVITY		State/Comm	Action
A	<b>HOME AND COMMUNITY CARE</b>  The HACC program is significantly under funded which results in LGAs having to provide “top up funding” as well as limiting service. State Government policies (e.g. de-institutionalisation) have increased the “user base” significantly, with no additional funding or resources.	Comm/ State	Under fund Shift

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
B	<p><b>MATERNAL AND CHILD HEALTH</b></p> <p>The unit cost per hour is grossly under funded. Additionally, State Government health policies, such as early release of post natal mothers have resulted in additional workloads for M &amp; CH nurses (funded by LGAs).</p>	State	Under fund Shift
C	<p><b>LIBRARIES</b></p> <p>Libraries are under funded in respect of both operational grants and capital/infrastructure upgrades. Where feasible, the “gap” is addressed by LGAs. Previously 50:50 funding share, now 75:25.</p>	State	Under fund Shift
D	<p><b>FAMILY DAY CARE</b></p> <p>The amended government regulations governing the operation and accreditation of Family Day Care have increased workloads for both Council Officers (administration) and Care providers. No increases in funding have been forthcoming to offset increased costs.</p>	State	Compliance Under fund
E	<p><b>CHILD CARE BUILDING REGULATION CHANGES</b></p> <p>Significant changes to building regulations which are only partially funded but are compulsory.</p>	State	Compliance Under fund
F	<p><b>CRIME AND SAFETY PROGRAMS/GRAFFITI PROGRAMS</b></p> <p>One-off funding was provided to establish Community Safety Plans and employ Officers, with the expectation that these programs/Officers would be ongoing and all costs will be “covered” by LGAs. LGAs are now having to maintain programs.</p>	State	Under fund Shift
G	<p><b>PRIMARY CARE PARTNERSHIPS (PCP)</b></p> <p>This is a State Government Human Services reform which requires Local Government participation and coordination. Whilst individual projects are funded, agencies (i.e. LGAs) are not funded for their participation (high usage of resources/personnel).</p>	State	Compliance Under fund

#### 4.2.7: Integrated Planning

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
A	<p><b>ECONOMIC DEVELOPMENT</b></p> <p>Prior to 1994, Economic Development for a local area was not a mainstream Local Government activity. Now a requirement as part of the Local Government Act.</p>	State	Shift Compliance

SERVICE ACTIVITY		State/Comm	Action
B	<p><b>ROAD SAFETY - STRATEGIC</b></p> <p>Encouragement (and expectation) that LGAs will now have increased roles and responsibilities in respect of road safety and driver education (behavioural change).</p>	State	Shift Under fund
C	<p><b>CHANGES TO PLANNING SCHEME</b></p> <p>Introduction of planning reform increased the complexity and responsibility of Councils in dealing with all planning matters.</p>	State	Compliance

#### 4.2.8: Leisure, Culture and Youth

SERVICE ACTIVITY		State/Comm	Action
A	<p><b>SCHOOL FOCUSED YOUTH SERVICES</b></p> <p>A program funded by State Government to improve links between local school and community agencies to ensure improved service delivery to young people. Maroondah City Council covers resources and administration costs not fully funded. Future funding has not been confirmed.</p>	State	Under fund
B	<p><b>YOUTH SERVICES GRANT</b></p> <p>The current State Government has indicated that this long term grant will not be available for the same purpose next year (contribution to Youth Support Worker salary) which will mean the service is reduced or LGAs will need to fund.</p>	State	Under fund
C	<p><b>FREEZA (DRUG AND ALCOHOL FREE EVENTS)</b></p> <p>Funded since program's inception in 97/98 at \$20,000 per year. 2001/2002 funding was reduced to \$17,500, whilst 2002/2003 has been allocated at \$18,500.</p>	State	Under fund
D	<p><b>COMMUNITY GRANTS</b></p> <p>A number of local agencies and service providers (e.g. drug and alcohol, Citizens' Advice Bureau) have had funding reduced by the State Government, and therefore are now reliant on LGA community grants to maintain service levels (and in some cases survive).</p>	State	Shift Under fund



#### 4.2.9: Community Planning

SERVICE ACTIVITY		State/Comm	Action
A	<p><b>GAMBLING</b></p> <p>New State gaming legislation (and policy) states that LGAs should always prepare and submit a detailed Social and Economic Impact Statement in response to any new EGM gaming application in a specific municipality.</p>	State	Compliance Under fund
B	<p><b>HOUSING</b></p> <p>New state housing initiatives (e.g. Social Housing Innovation Project) focus on partnership arrangements for the provision of community housing in a local area (between State, LGA and Community Housing organisations). Costs for Council can include land provision, rezoning and lease/legal documentation.</p>	State	Under fund Shift
C	<p><b>DISABILITY DISCRIMINATION ACT</b></p> <p>Ongoing implications for upgrade in infrastructure where costs must be met by LGAs.</p>	Comm.	Compliance

#### 4.2.10: Engineering and Infrastructure/Roads

SERVICE ACTIVITY		State/Comm	Action
A	<p><b>MAINTENANCE OF MEDIAN AREAS</b></p> <p>Areas previously funded by VicRoads are no longer funded and therefore are maintained by LGA (at cost to LGA). One example (Maroondah Highway between Heatherdale Road/Oban road) costs \$10,000 per annum. The redefinition of “main road” means fewer roads are VicRoads responsibility.</p>	State	Shift
B	<p><b>MAINTENANCE FOR ON AND OFF ROAD</b></p> <p>Maintenance funding for both “on road”/off road” has remained constant for past 6 years whilst costs continue to grow. Additionally, changes to who will fund which portion of the assets within a road reserve has meant LGAs are shouldering additional financial burden.</p>	State	Under fund
C	<p><b>MANAGEMENT OF ROADSIDES/ADJACENT TO FREEWAYS</b></p> <p>After construction of freeways (i.e. Ringwood by-pass) adjacent land is handed over to Council for ongoing maintenance with no ongoing funding (only one-off payments).</p>	State	Shift Under fund

SERVICE ACTIVITY		State/Comm	Action
D	<p><b>BLACK SPOT FUNDING</b></p> <p>LGAs are expected to fund other Black Spot projects which are not met by State Government funding and yet have a high Benefit Cost Ratio (BCR).</p>	State	Under fund
E	<p><b>HEAVY VEHICLE ROAD LIMIT VARIATIONS</b></p> <p>Changes to load limits to allow heavy vehicles such as B-Doubles and B-Triples on local roads have had an impact upon the local road network.</p> <p>No funding allocation or additional funding has been provided to compensate for the ongoing maintenance and renewal costs</p>	State	Under fund
F	<p><b>ANCILLARY INFRASTRUCTURE - HOSPITALS/SCHOOLS</b></p> <p>State Government developments such as hospitals and schools which occur without the appropriate ancillary infrastructure improvements (as required of other developers) to address parking and traffic demands. Council consequently is required to fund traffic management works, parking controls and enforcement to deal with the consequences of these developments and address safety and amenity issues for the community.</p>	State	Under fund
G	<p><b>50KM/H SPEED LIMITS</b></p> <p>The introduction of the 50km/h speed limits within local streets has resulted in community demands that roads of this type (that have 85th percentile speeds in excess of the new limit) require implementation of local traffic management devices to assist in containing vehicle speeds.</p> <p>Other than one-off funding for the provision of new signage and signage changes at the commencement of the new speed limit no additional or compensatory funding has been provided and Council is required to absorb the associated costs of implementing these devices.</p> <p>This also includes numerous sites which have previously been treated to achieve the prior 60 km/h limits and now have a perceived speeding problem.</p>	State	Compliance Under fund

SERVICE ACTIVITY		State/Comm	Action
H	<b>TREE CLEARANCE NEAR POWERLINES</b>  This was previously the responsibility of the SEC.	State	Shift
I	<b>INFRASTRUCTURE SERVICES - WASTE</b>  Levy for landfill increasing annually.	State	Shift

#### 4.2.11: Finance and Civic

SERVICE ACTIVITY		State/Comm	Action
A	<b>GST</b>  The GST legislation for Councils is complex, as Council provides GST free supplies, supplies attracting GST and Division 81 supplies which makes certain supplies, at the discretion of the Minister, outside the legislation. LGAs have been responsible for initial set up costs (eg software, audits) and ongoing operational costs.	Comm.	Compliance
B	<b>SUPERANNUATION UNFUNDED LIABILITY</b>  As a result of State directed amalgamations, many employees were made redundant causing a huge drain on the LAS Defined Benefits Fund resulting in LGAs having to make a substantial contribution towards the unfunded liability.	State	Compliance
C	<b>NATIONAL COMPETITION POLICY AND COMPETITIVE NEUTRALITY</b>  From 1994 Councils have been required to comply with NCP and CN. This meant Councils are now subject to Part 1V of the Trade Practices Act and must comply with Competitive Neutrality for any significant business activity of Council. This has significant resource implications for administration and reporting (as funding ceases in 2002/2003).	Comm/ State	Compliance
D	<b>VICTORIAN GRANTS COMMISSION</b>  Reduction in monies received from the grants commission. This is more a carving of the pie rather than an overall reduction in monies allocated by the Grants Commission. Maroondah's grant for 2002/2003 has reduced in real terms by more than \$550,000 and the cumulative real reduction since 1995/1996 is over \$2m.	State	Under fund

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
E	<p><b>WHISTLEBLOWERS LEGISLATION</b></p> <p>Costs involved in setting up procedures and purchasing required guides. Ongoing costs associated with compliance yet to be determined.</p>	State	Compliance
F	<p><b>PRIVACY LEGISLATION</b></p> <p>Costs associated with implementing the provisions – audit, policy and compliance statements. Ongoing costs associated with compliance yet to be determined.</p>	State	Compliance

#### 4.2.12: Major Leisure Facilities

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
A	<p><b>CHILD CARE FACILITIES</b></p> <p>Introduction of regulations regarding child care services at Leisure Facilities have significantly increased operating and capital costs.</p>	State	Compliance

#### 4.2.13: Resources

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
A	<p><b>Property Valuations</b></p> <p>LGAs are now required to complete a valuation of every municipal property every two years instead of every four years (with little direct or indirect benefit for LGAs). The amount of information required to be collected during the valuation has substantially increased.</p>	State	Compliance Under fund
B	<p><b>MFB CONTRIBUTIONS</b></p> <p>The MFB is now under funded and LGAs are having to contribute additional funds to ensure service provision is maintained.</p>	State	Under fund

#### 4.2.14: Open Space

<b>SERVICE ACTIVITY</b>		<b>State/Comm</b>	<b>Action</b>
A	<p><b>Water Systems</b></p> <p>New regulations regarding one-way valves on water systems, hydrant maintenance etc has resulted in increased capital and maintenance costs for LGAs.</p>	State	Compliance

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## Term Of Reference 5

"The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality service to local communities."

In the Human Services area, there is duplication (and in some cases competition) between Commonwealth, State and Local Government programs and expenditure. All three spheres of government to some degree plan, fund and deliver human services.

For example, the Commonwealth Community Aged Care Program (CACPs) and the State's Linkages program have the potential to duplicate Home and Community Care (HACC) core services provided by LGAs. This situation is a waste of resources, and is an excellent example where streamlining the roles and responsibilities would ultimately free up funds currently utilised for duplicated services and/or over administration. Streamlining the funding and delivery of Human Services is an excellent example of potential better use of existing resources for actual service delivery.

If the key aim is to identify methods and actions to ensure "better use of resources and better quality service" to local communities, then Maroondah City Council would recommend:

1. Increasing LGA representatives' roles in policy development and planning. As the level of Government closest to the people, involving LGA representatives in State and Commonwealth policy and planning processes will ensure a "ground up" approach to planning and service development, ensuring the communities voice will be more clearly heard.
2. Genuine acknowledgement by the Commonwealth and State Governments of the financial burden currently being experienced by LGAs in Victoria – a situation which will continue to exacerbate over time unless increased or alternative funding streams are introduced.
3. Ensuring resources are better used by recognising the natural advantages of using LGAs as the sole deliverer of certain programs (and providing funding accordingly). This is particularly important in Victoria post Compulsory Competitive Tendering (CCT), given that as a result of CCT a fragmented and duplicated service system developed in some areas (particularly human services), which resulted in LGAs having to tender for programs which previously would "naturally" have been provided by an LGA. The result is additional administrative costs as well as fragmented service provision.
4. Acknowledgement from the Commonwealth and State Governments of the specific problems that exist in respect of funding infrastructure maintenance and aged care services - issues which will continue to increase given the ageing of infrastructure and the population trends. Once acknowledged, genuine dialogue between the three tiers of Government needs to occur to formulate appropriate short and long term solutions.

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## Term Of Reference 6

"The findings of the Commonwealth Grants Commission 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."

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Drawing on our preceding responses to the first five Terms of Reference to the Inquiry it will be obvious to the reader that Maroondah City Council is concerned that cost shifting combined with increased roles and responsibilities for LGAs has and will continue to impact heavily on its ability to continue providing a wide range of necessary and affordable services to the community in the short term.

It will also limit the ability to effectively manage and maintain Local Government and community infrastructure assets in the longer term.

Part of that context of overall current municipal funding structures is the continuation of receipt of grant monies via the Commonwealth and State Grants Commissions. Simply put, any significant lessening of those grant monies would mean that municipalities must markedly:

- reduce the breadth and depth of services they provide; and/or
- increase their own revenue from rates and user charges (both in amount and certainty); and/or
- change their role as government's major interface with the community.

Given the acknowledgement that none of these three outcomes are desired, palatable or even contemplated by Federal or State Governments, then it is appropriate to examine the findings of the CGCR<sup>8</sup> and whether they will impact municipal funding structures – either on an industry or individual Council basis.

### **6.1: NO CHANGE IN OVERALL GRANT POOLS**

Maroondah City Council is heartened to read in 4/7<sup>9</sup> that the findings are intended in no way to alter any State's share of assistance provided under the Act. Without that assurance and with the continued application of horizontal fiscal equalization, relative needs or other like principles, Maroondah City Council believes that there is potential for and even a likelihood of a major shift in individual grants across the country. Such a shift would cause the significant disruptions referred to above.

4/7 also states that application of the findings will not require a change in the overall amount (i.e. real not absolute) of assistance under the Act. On the one hand, this statement is saying that there will be no reduction in the overall amount and such communication is welcomed.

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<sup>8</sup> Please note that, for the purposes of this response, the Commonwealth Grants Commission Review document will be referred to as the 'CGCR'.

<sup>9</sup> Particular identification of numbered clauses within chapters of the CGCR are referred to as XX/YY (where XX is the chapter number and YY is the clause number). Further, the Local Government (Financial Assistance) Act 1995 will hereinafter be referred to in this section as 'the Act'.

On the other hand, it is self evident from this statement that the CGCR acknowledges that municipalities have suffered a real reduction in grants as an outcome of lack of compensation/offset from cost shifting from Commonwealth to Local Governments (e.g. GST). This real reduction is then greatly exacerbated when lack of compensation for cost shifting from State to Local Government is factored in.

## **6.2: CHANGE IN STRUCTURE OF GRANT POOL**

The findings propose a fundamental change in the structure of the Commonwealth Grant Pool (refer 4/8). Three individual pools are proposed as component parts of this total grant pool – a Per Capita pool, a Local Roads pool and a Relative Need pool. It is also proposed to replace the current Horizontal Equalization National Principle with new Relative Need Principles based on equalization principles (refer 4/35).

Although the CGCR spends many pages (refer 4/10-39) setting out its rationale and intentions in this regard, it is more than difficult to translate the application of changes to the proposed pool structure into changes in individual grants. On the surface it appears that the principles and formulae currently applied by the Victorian State Government are comparable to those intentions set down in 4/10-39, however without further detail and modelling it must be assumed that there is potential for significant changes in individual grants. Put another way, Maroondah City Council is concerned about outcomes on the basis that a wholesale change in pool structuring would not be justified if it only produced marginal changes to grant distribution patterns.

## **6.3: CHANGES IN FINANCING/FUNCTIONS/RESPONSIBILITIES OF MUNICIPALITIES**

The CGCR (refer 5/10-30) correctly recognizes the very large shifts in size and composition of Local Government's roles and responsibilities over recent decades and how changes in the composition of Local Government revenues have not matched the types and sources of those shifts. In particular, 5/25 splits those types and sources into five distinct categories:

1. devolution
2. 'raising the bar'
3. cost shifting
4. increased community expectations; and
5. policy choice

These categories are in line with those utilised by Maroondah City Council in determining the impact of changes in functions and responsibilities of State and Federal Government on Local Government (refer Part 4 of this submission). They identify much broader issues than just "cost shifting", and also acknowledge the impact of compliance with new legislation, new responsibilities and functions as a result of policy shifts, and increased community expectations.

The CGCR reflects on large shifts in size and composition of Local Government's roles and responsibilities over recent decades, and makes a number of correct and pertinent observations. However the observations remain just that – observations – and the CGCR findings appear not to include any comment or measures to address those implications.

Maroondah City Council believes that this omission is a lost opportunity per se. Accordingly, it becomes imperative that this current Inquiry canvasses “cost shifting” over a wide spectrum.

#### **6.4: CERTAINTY AND TRANSPARENCY OF GRANTS**

##### **6.4.1: Certainty**

Maroondah City Council has two concerns over the certainty of funds ex the Grants Commission. The major concern is that, no matter what legislation or guidelines are put in place by whatever Federal or State government or whatever political persuasion, the ongoing flow and distribution of funds will always be subject to the ebbs and flows of those governments and their politics and associated legislation and guidelines will always be adjusted to suit. Maroondah City Council submits that only when Local Government gains Federal constitutional recognition and subsequently when federal revenue sharing is constitutionally guaranteed (e.g. a direct share of GST), will municipalities will be able to set their long term financial plans with the required degree of certainty.

The other concern relates to the poor timing of advice of grants from Commissions vis-a-vis the timing requirements for municipalities to set and utilize their annual budgets (refer 5/45). It is acknowledged that the matching of this timing has improved in recent years but needs to improve further to match practical operating requirements as well as achieve compliance with State legislation.

These two concerns only grow in terms of adverse impact on LGAs when combined with the uncertainties of meeting the funding challenges caused by cost shifting.

##### **6.4.2: Transparency**

The CGCR has recognized the difficulties for Local Government created by the complexities of grants calculation principles, systems and formulae (refer 3/89-90). Their comprehension and verification (both in terms of absolute numbers and movements from year-to-year) are very difficult for finance staff let alone for the community, Councillors and management.

Whilst such complexities are at least partially necessary to achieve equitable allocations to municipalities (as opposed to simple calculations which do not achieve such level of equity), Maroondah City Council is concerned that the proposed changes in the structure of the grants pool have the potential to exacerbate those complexities, and that that potential is not addressed in the CGCR findings.

If, as an outcome of this House of Representatives Inquiry, the opportunity is taken to provide compensation or offset via Grants Commission allocations for the increasing cost shifting burden and expanding roles and responsibilities on Local Government, then that potential for exacerbation only grows further. It is recommended that any such compensation or offset be separated from existing Grants Commission calculations and formulae and be undertaken in a manner which could be readily understood and verified.



Maroondah City Council submits there is an undeniable nexus between cost shifting, LGAs' increased roles and responsibilities and the findings of the CGCR. A strong application and progression in respect of these findings, such as reviewing LGA access to income streams/increased grants would provide an opportunity for the Commonwealth to significantly strengthen the capability of LGAs to viably continue with their expanding functions and responsibilities to local communities.

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# Appendix A

## Local Government Functions

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The following functions are identified as the responsibility of Local Governments in the Local Government Act 1989.

“1: ***General public services including –***

- (1) Fire prevention and protection;
- (2) Local emergency and safety services;
- (3) Animal control, protection and conservation;
- (4) Animal impounding;
- (5) Plant control;
- (6) Tip establishment and operation;
- (7) Litter control;
- (8) Management, collection and disposal of municipal waste;
- (9) Resource recovery and recycling

2: ***Health, education, welfare and other community services including –***

- (1) Services for children and families;
- (2) Health inspection services;
- (3) Public convenience;
- (4) Prevention and abatement of nuisances;
- (5) Child care and development services and youth services;
- (6) Aged, disabled and disadvantaged persons services;
- (7) Migrant services;
- (8) Cemeteries;

3: ***Planning and land use including –***

- (1) Building control;
- (2) Housing and other accommodation;

4: ***Property services including –***

- (1) Water, drainage, sewerage, gas and electricity;
- (2) Land development schemes;
- (3) Street maintenance and cleaning ;

5: ***Recreational and cultural services including –***

- (1) Halls and public buildings;
- (2) Sport, recreation, leisure and arts;
- (3) Parks, gardens and reserves;
- (4) Libraries and museums;
- (5) Historic buildings and places;
- (6) Public entertainment;

6: ***Roads including –***

- (1) Bridges;
- (2) Footpaths, bicycle paths and nature strips;

- (3) Traffic control and signs;
- (4) Lighting and drainage of roads;

7: ***Any other functions relating to the peace, order and good governance of the municipal district including –***

- (1) Parking;
- (2) Transport;
- (3) Aerodromes;
- (4) Tourism;
- (5) Information;
- (6) Encouragement of employment opportunities;
- (7) Encouragement of commerce, industry and agriculture;
- (8) Environment control, protection and conservation;
- (9) Municipal enterprises (trading or entrepreneurial)
- (10) Municipal administration.”<sup>10</sup>

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<sup>10</sup> Local Government Act 1989, Schedule A.

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# Appendix B

## Additional Costs To Council Via increased Roles and Responsibilities

Worksheets

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## Maroondah City Council Cost Shifting Inquiry – Worksheet 1

<b>State to LGA</b>	<b>Additional Costs To Council</b>				
<b>Activity</b>	<b>Operating (recurrent)</b>	<b>Operating (one-off)</b>	<b>Capital (recurrent)</b>	<b>Capital (one-off)</b>	<b>TOTAL \$</b>
<b>Finance</b> - Superannuation Unfunded Liability	164,000	5,000			169,000
<b>Finance</b> - Victorian Grants Commission	291,000				291,000
<b>Civic</b> - Whistleblowers Legislation	20,000	12,500			32,500
<b>Civic</b> - Privacy	5,000	16,000			21,000
<b>Leisure</b> - Child Care Facilities	2,000	4,000		5,700	11,700
<b>Leisure</b> - Community Grants	45,000				45,000
<b>Engineering/Infrastructure</b> - maintenance of median areas	10,000				10,000
<b>Engineering/Infrastructure</b> - maintenance of on and off road	40,000				40,000
<b>Engineering/Infrastructure</b> - management of roadsides/adjacent to freeways	20,000				20,000
<b>Engineering/Infrastructure</b> - additional works not covered by black spot funding	100,000				100,000
<b>Engineering/Infrastructure</b> - Heavy vehicle road limit variations			30,000		30,000
<b>Engineering/Infrastructure</b> - Ancillary Infrastructure Hospitals/Schools			50,000		50,000
<b>Engineering/Infrastructure</b> - 50km/h speed limits				150,000	150,000
<b>Engineering/Infrastructure</b> - Tree clearance near powerlines	150,000				150,000
<b>Infrastructure Services</b> - Waste	20,000				20,000
<b>Open Space</b> - Water Valves/hydrant maintenance	50,000				50,000

<b>Community Services** - HACC</b>	300,000				300,000
<b>Community Services - M &amp; CH</b>	40,000				40,000
<b>Community Services - Libraries</b>	260,000		10,000		270,000
<b>Community Services - Children's Services</b>	150,000				150,000
<b>Community Services - Child Care Building Regulations</b>		10,000		100,000	110,000
<b>Community Services - Crime and Safety/Graffiti</b>	100,000				100,000
<b>Community Services - Primary Care Partnerships</b>	5,000				5,000
<b>Building Services - Surveyor Inspections</b>	60,000			40,000	100,000
<b>Building Services - Consents and Reports</b>	20,000				20,000
<b>Building Services - Lodgement Fees</b>	20,000			10,000	30,000
<b>Building Services - Section 29 Building Act Demolition and Report</b>	2,500				2,500
<b>Building Services - Sewerage/Water</b>	2,500				2,500
<b>Building Services - Private Surveyors Complaints</b>	2,500				2,500
<b>Public Health Services - EPA Industrial and Traffic Noise</b>	10,000				10,000
<b>Public Health Services - Tobacco</b>	2,500				2,500
<b>Public Health Services - Immunisation</b>	20,000				20,000
<b>Public Health Services - Food Act</b>	100,000			40,000	140,000
<b>Public Health Services - Health Act Amendments - Legionella</b>	2,500			10,000	12,500
<b>Statutory Planning - Rescode</b>	45,000				45,000
<b>Statutory Planning - Planning Fees (general)</b>	2,500				2,500
<b>Local Laws - School Crossings</b>	50,000				50,000
<b>Local Laws - Parking State Facilities</b>	1,500				1,500
<b>Local Laws - Dog Act (amended legislation)</b>	10,000				10,000
<b>Local Laws - Registration of Animals/Dog Acts</b>	5,000				5,000
<b>Integrated Planning - Economic Development</b>	450,000				450,000
<b>Integrated Planning - Road Safety - Strategic</b>	50,000	30,000			80,000
<b>Integrated Planning - Planning Reform/Changes to Scheme</b>	60,000				60,000
<b>Youth Services - School Focussed Youth Services</b>	3,000			3,000	6,000

<b>Youth Services</b> -Youth Services Grant	16,000			3,000	19,000
<b>Youth Services</b> - FReeZA	1,500				1,500
<b>Community Planning</b> - Gambling	3,000	10,000			13,000
<b>Community Planning</b> - Housing (SHIP)		10,000			10,000
<b>Resources</b> - Valuations	200,000	350,000		200,000	750,000
<b>Resources</b> - MFB Contributions	150,000				150,000
<b>TOTAL</b>	3,062,000	447,500	90,000	561,700	4,161,200

**\*\* NB: Community Services "annual recurrent costs" are estimates of what it costs Maroondah to maintain service levels as per 1996/1997 (+CPI) plus a \$ estimate for service gaps/shortfalls.**



## Maroondah City Council Cost Shifting Inquiry – Worksheet 2

<b>Commonwealth to LGA</b>	<b>Additional Costs To Council</b>				
	<b>Operating (recurrent)</b>	<b>Operating (one-off)</b>	<b>Capital (recurrent)</b>	<b>Capital (one-off)</b>	<b>TOTAL \$</b>
<b>Activity</b>					
Finance – GST	30,000	78,000			108,000
<b>Community Planning - Disability Discrimination Act Implementation</b>			50,000		50,000
<b>TOTAL</b>	<b>30,000</b>	<b>78,000</b>	<b>50,000</b>		<b>158,000</b>

<b>Both (Comm/State to LGA)</b>	<b>Additional Costs To Council</b>				
	<b>Operating (recurrent)</b>	<b>Operating (one-off)</b>	<b>Capital (recurrent)</b>	<b>Capital (one-off)</b>	<b>TOTAL \$</b>
<b>Activity</b>					
Finance - NCP/CN	25,000	18,000			43,000
IT - increased resources for additional roles and responsibilities (estimate - 5EFT)	15,000			12,500	27,500
IT - Compliance with new legislation/IT software enhancements	3,000	5,000		20,000	28,000
IT - State and Federal Government E based projects	45,000			60,000	105,000
<b>Building Services - Private Surveyors Increase in liability premiums</b>	<b>100,000</b>			<b>40,000</b>	<b>140,000</b>
<b>TOTAL</b>	<b>188,000</b>	<b>23,000</b>		<b>132,500</b>	<b>343,500</b>