

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2003–04 budget estimates

Melbourne – 23 May 2003

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Witnesses

Ms C. Broad, Minister for Local Government;

Mr Y. Blacher, Secretary;

Ms P. Digby, Executive Director, Local Government and Regional Services; and

Ms J. Rumble, Acting Finance Manager, Department for Victorian Communities.

The CHAIR — Good morning; welcome to everybody. I declare open the Public Accounts and Estimates Committee hearings on the 2003–04 budget estimates for the local government portfolio.

I welcome Ms Candy Broad, Minister for Local Government; Mr Yehudi Blacher, Secretary of the Department for Victorian Communities; Ms Prue Digby, executive director, local government and regional services; Ms Joanne Rumble, acting finance manager, Department for Victorian Communities; departmental officers; members of the public; the media; and Hansard.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

Before I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of local government, I ask that all mobile telephones be turned off and pagers be turned to silent.

Minister, welcome. You have the opportunity to make a presentation using overheads if you wish, and then 55 minutes have been allocated for questions. We request that the minister distribute the overheads.

Overheads shown.

Ms BROAD — Thank you, Chair, members of the committee, and everyone else who is present. I welcome the opportunity to make a presentation today in relation to, for this first part of the meeting, my local government portfolio. This brief presentation, which is in front of you and on the screen, will cover the main achievements, objectives and priorities for the portfolio for 2003–04. Following that I am very happy to take questions.

What is up here are the main objectives. As my colleagues in the upper house have heard on quite a number of occasions, local government is an important partner for the state government, with proper constitutional recognition of local government now provided in the constitution. The state supports local government as to democracy and action at the local level and aims to work in collaboration with the local government sector to ensure that that democracy and action are effective, that we have a strong local government sector, strong communities and more integrated services.

A range of achievements are reflected in the 2002–03 year reporting in the budget papers, in terms of the effort from the local government and regional services division and the government more broadly, including providing constitutional recognition, which I have mentioned; the preparation of the Local Government Act update; the continued implementation of Best Value Victoria, including continued conduct of service reviews; the production of a number of support tools for councils; guidelines for production of Best Value annual reports, developed in partnership with the Local Government Professional Association and developed with the Victorian Local Governance Association (VLGA). The division has also concentrated on promoting the necessity of infrastructure renewal. In the *Local Government in Victoria* 2002 report there was a report on two new infrastructure indicators, meaning that over time we will be able to monitor the renewal and maintenance spending of local governments on infrastructure, which is a very pressing area for local government.

Capacity building has also been a strong focus of the division, and the second *Local Government in Victoria* report, released earlier this year, is certainly one of the achievements.

There is also the Rural and Regional Mayors Summit. The third summit was held in September of last year, and I am currently consulting with local government and reviewing these arrangements to ensure that we get the best possible results going forward in terms of those sorts of meetings and dialogue.

There is continued strong support for libraries with a record all-time high commitment of \$25.2 million.

I should also mention the strong role which the division took in the bushfire recovery response both in supporting me in my membership of the government task force and in the activities of the division in the establishment of a volunteer register. I indicate that some 45 people have been linked to recovery committees to engage in volunteer tasks and some \$80 000 has been allocated to local government in relation to structural assessment of damaged bridges, which is one of the consequences of dealing with the fire emergency and subsequent recovery.

Priorities 2003–04 listed on the next slide show the four key areas in terms of government objectives for local government: more effective democracy, a strong local government sector, strong communities, and more integrated services. I intend in the remaining time to go briefly to each one of those areas.

In terms of more effective democracy a crucial part of delivering this in 2003–04 is the Local Government Act update, which the election interrupted. The government will be bringing that bill back in the spring sittings of the Parliament. In addition to dealing with all matters which were included in the previous update bill the government will be implementing our election commitment in relation to a common date for local government elections. That will require legislation to adjust terms of the three separate groupings of council elections to bring them to a common date — which is a challenge that is ahead of me.

There is a whole range of matters covered by the update bill in relation to rules of conduct, making decision making more transparent, introducing proportional representation to replace the current exhaustive preferential system, some sound principles for financial management to be included in the act, and provisions for councils in relation to special rates and charges — which was a contentious area during the lead-up to the preparation of the previous draft.

The CHAIR — Looking at our handouts you are about halfway through, and you are about three-quarters of the way through your time.

Ms BROAD — Okay, thank you. Under the heading of strong local government sector and accountability, three points are there: financial management; local communities knowing more about the activities of their councils — which is particularly addressed through the Best Value process; and performance management. The annual community satisfaction survey and the annual local government report in Victoria, which I referred to before, highlight councils performance against community satisfaction levels on specific indicators.

As an advocate within state government for the local government sector, with the establishment of the new Department for Victorian Communities there is now a clear opportunity to strengthen the relationship between state government and local government in line with our election statements. Included within that are strategic partnerships. The new Department for Victorian Communities will be pursuing partnerships with individual councils and shires as well as groups of councils around building stronger communities, and there are a whole range of principles which will guide the development of those strategic partnerships. These are set out here.

Place-based initiatives are another aspect of strategic partnerships. They particularly require locally specific problem solving, and we certainly have had some demonstrations of those recently in terms of dealing with the recent fires. In addition to those there are issues such as declining populations, in parts of rural Victoria in particular; and social disintegration in parts of Victoria. The government believes these necessitate better joined-up government and more flexible approaches to address those issues, which is all part of the new department's charter.

In relation to infrastructure, which I highlighted earlier as an area of particular priority for local government, there was an infrastructure study going back to 2000 which identified that councils' current expenditure on asset renewal was inadequate. There are a whole range of initiatives in place and being conducted through the local government and regional services division with the peak bodies to redress that situation and also address a number of the recommendations from the Auditor-General's performance audit on asset management in relation to local roads.

There are a whole range of monitoring and continuous improvement actions in that area, and the proposed road management bill will also greatly assist in dealing with the roads area in particular.

On the final slide on more integrated services, and grants in particular, the local government and regional services division in the department manages three major funding projects for local government: the public library grants, which I have referred to; the local government improvement incentive program, which is the share of national competition payments that Victoria provides for local government — the only state to do so; and the local government language services support program.

Those are the main ones I wish to draw attention to. I am happy to take questions on anything that I have not covered.

The CHAIR — The first question I would put to you is in relation to page 399 of budget paper 3 and you also referred to this in your overheads. It is the legislative framework for the Local Government Act standards. It is outlined there under outputs. I would ask you to highlight to the committee a little of how that relates to enhancing the Growing Victoria Together policy framework. Can you just explain a little more fully — and know I hurried

you through those overheads — exactly what you want to do to improve the legislative framework for local government in that act.

Mr RICH-PHILLIPS — Tell us now what you were not allowed to tell us before!

Ms BROAD — In terms of improving the legislative framework for local government, the backdrop to this is the recognition of local government in the Constitution Act to be followed by a range of measures in the local government update bill that will be introduced in the next sitting of Parliament.

As I have referred to, the key purposes of that update will include improving democracy as well as transparency in local government. The preparation of the bill has followed very wide consultation on the previous version, and I have taken the opportunity of the delay caused by the election to conduct further consultation, particularly with the peak bodies, and also a whole series of individual councils and shires have put their views to me. I will continue to receive those up until the point at which it is necessary to conclude those discussions and take it to the Parliament in the next sitting, which is a very definite deadline.

In relation to the electoral processes, making proportional representation, the primary voting system and providing for six-yearly reviews of councils' electoral systems, will, importantly, be conducted independently by an electoral commission, not by councils themselves, and the amendment to the electoral timetables to bring councils into the common cycle.

The provisions will also include ones relating to the conduct of councillors and council staff, mandatory adoption of codes of conduct by councils and requirements to avoid conflicts of interest. A very large number of issues have been raised with me following the recent round of elections in some 54 municipalities. I have certainly looked at those from the point of view of how we can avoid some of the issues that have been raised by dealing with things like codes of conduct in the new bill.

Accountability and reforming the planning and reporting processes of local government will ensure greater transparency, in particular with financial management. These changes will include ensuring that public records of council decisions are clear and complete because there have been issues around those. It will be, I understand, the most significant reform for local government legislation for about 15 years. A whole raft of provisions will be addressed. I am sure the Parliament when the bill is introduced will closely scrutinise them all, given the number of previous councillors in the Parliament in all parties who, I am sure, will take a close interest in those matters.

The CHAIR — By way of supplementary — a quick one on the codes of conduct — do you envisage that you will give people ideas in terms of a template — for example, with health legislation codes many councils said that it is reinventing the wheel? Allowing for opportunities for people to put their own stamp on codes of conduct, have you gone that far to look at codes of conduct by way of templates?

Ms BROAD — Certainly an important part of the government's approach is expanding the capacity of local government by assisting in that way in providing what you have described as templates. I guess it is a starting position at least for councils to draw on rather than everyone doing it from scratch.

Ms DIGBY — It would be envisaged that the legislation would require that councils have codes of conduct, but that the actual template would be something outside the legislation that we would assist with councils.

The CHAIR — Perhaps you could take that as a question on notice because it becomes very costly for councils if they are all doing something similar.

Mr FORWOOD — I refer to pages 117 and 118 of last year's budget paper 3 and page 399 of this year's budget paper 3. Last year the total amount of funds allocated for the three output groups of local government was \$40.5 million, and the full-year effect for the forthcoming year for local government is \$33 million. The first part of the question is: last year we had \$40.5 million allocated for local government and this year it is only \$33 million. What is the difference. Secondly, of the \$33 million for local government, how is that allocated and what will it be spent on?

Ms BROAD — The first thing to say is, as I am sure you are aware, that as a result of the formation of the new Department for Victorian Communities we are dealing here with a situation where numbers are not directly comparable, but I will certainly seek to account for the difference.

In relation to the 2003 output groups of \$40.5 million, which has been referred to, my understanding is that that included an output cost of \$7.5 million in relation to road assistance grants which is an output controlled by

Vicroads. I am not sure why it was there in the first place, but in any event it has now been excluded, so that essentially accounts for that part of the difference.

Mr FORWOOD — That would be the full amount if you take the \$7.5 million off last year. It is probably not your responsibility, but can we take it that the \$7.5 million has actually gone to Vicroads, or has it been lost?

Ms BROAD — I am sure it has not been lost.

Mr BLACHER — It has gone to Vicroads.

Mr FORWOOD — So we will be able to ask the Minister for Transport?

Mr BLACHER — Yes.

Mr FORWOOD — In relation to the \$33 million, that means that year-on-year you have exactly the same amount of funds as you had the year before?

Ms BROAD — That is what the numbers would indicate.

Mr FORWOOD — Can you tell us how the \$33 million would be allocated?

Ms BROAD — While I am finding the relevant pieces of paper, the largest component is the allocation for municipal libraries, which is \$25.8 million, and the balance is essentially operating costs.

Mr FORWOOD — Wages and salaries. I notice staff has gone up from equivalent 37 to 43. Are they in a particular area?

Mr BLACHER — They will largely go into an expansion of the office's capacity in the regions, so there will be an outreach capacity by the department overall and that will be a component.

Mr FORWOOD — Based on income?

Mr BLACHER — Yes.

Ms BROAD — Essentially with the creation of the new department and our focus on strengthening communities there is a view, which the secretary of the department has just indicated, that it is appropriate that resources are devolved more than they have been in the past. That will be happening across the new department, including in relation to the local government and regional services division over time.

Mr FORWOOD — I know it is early days, but perhaps you could indicate to the committee, if you can, whereabouts geographically they are likely to be located. Mr Baxter is not here, but I can tell you that if he were he would be saying, 'Are we getting one in Wodonga?'.

Ms BROAD — In time we will be able to indicate where staff are located. As you have acknowledged yourself, it is early days and we are not in a position to indicate that here today. But I will clearly signal an intent — that is what will happen over time.

Ms ROMANES — Minister, you have indicated that funding for public libraries, both recurrent and capital, to the tune of over \$25 million, is an important output for your portfolio. Can you outline to the committee in more detail exactly what the government provides in terms of library services for the community, because they are very important services to our local communities across the state?

Ms BROAD — Very willingly. Again, apologies to those colleagues in the upper house who heard me just yesterday, I think, talk about some particular allocations in relation to libraries, but I will try not to go over all of those. As I have indicated, the government has allocated a record amount, in relation to the \$25.8 million to public libraries under the public libraries grants program. That is in relation to assisting with operating costs for public libraries in municipalities.

I should indicate that the formula that is used to allocate those funds has been revised following some extensive consultation with the local government sector. The formula to apply from July of this year will reflect a range of different pressures on library services across Victoria by taking into account relative socioeconomic status, remoteness, population dispersion and, very importantly, English proficiency. So there has been some adjustment to that formula to take into account those pressures in particular.

There has also been, in addition to the operating grants provided through the public libraries grants program, a total of \$12 million allocated over three years through the Community Support Fund to assist councils in replacing, extending or refurbishing public library buildings. Through that support some 45 projects have been funded under the Living Libraries program. I understand that that translates into around 20 per cent of the state's library buildings which will have been upgraded or replaced when the program is completed. I think it also translates into more than half of Victoria's municipalities receiving funding through that program.

One of the grants which I was not able to announce during Library Week and which I did not refer to yesterday in the house, but which I would like to announce today, is a grant of \$108 000 from the Living Libraries program which will assist the library at Corryong — the Elyne Mitchell public library, which is a terrific name for a library. That grant to the Corryong library is going to enable it to enhance a range of library services for its community. I understand that the building also operates a service centre for the Towong Shire Council and is also — as many libraries are — a meeting space for community groups. So that is going to assist all of those organisations that use the Corryong library.

A program that does not start until the 2004–05 year is the \$5 million to assist libraries with replenishing their stocks of books and other materials. That will commence in the next financial year.

Mr RICH-PHILLIPS — Minister, I would like to ask you about grants to local government on page 189 of budget paper 2. For the current financial year — which we are still in — grants were listed last year at \$547 million, declining to \$509 million for the budget we are considering, \$470 million for the year after, then \$447 million for the year after that. So that is a decline of \$100 million over the next three financial years.

Given that at this year's commonwealth budget the federal minister, Wilson Tuckey, announced almost a 4 per cent increase in financial assistance grants for local government to Victoria, why are the state grants to local government being cut by \$100 million?

Ms BROAD — I am being advised here to take this on notice. As far as it has been indicated to me, in relation to the grants which are overseen by the local government division in the Department for Victorian Communities — that is, commonwealth roads money that comes through the Victoria Grants Commission, libraries funding and operational grants — there are no reductions. Given that this is an aggregate number which includes a number of grants which go to local government from other departments and which do not go through the local government division for the Department for Victorian Communities — as you can see from these very large numbers here, this includes a range of other grants and transfer payments to local government — I will simply have to take that on notice.

Mr RICH-PHILLIPS — My understanding is that commonwealth roads funding is paid directly to local government and did not go through the grants commission, so if you could provide a breakdown of that figure and why we are seeing that apparent decline in the forward period, that would be very helpful.

Ms BROAD — Certainly in relation to the commonwealth roads funding which flows through the Victoria Grants Commission in terms of their allocation, which the commonwealth determines on advice from the Victoria Grants Commission — and I understand the Victoria Grants Commission is advising councils of the preliminary numbers today, which will then go to the commonwealth minister for determination and then final advice around about August — we can certainly provide advice on those numbers. But the remainder of it we will certainly have to take on notice.

Mr DONNELLAN — On page 398 of budget paper 3, one of the objectives of the local government and regional services division of the Department for Victorian Communities is to administer grants to improve interpreting and translation services. Can you outline to the committee what the Bracks government is doing in the interpreting and translation services area?

Ms BROAD — As I have indicated, this is an area which the government certainly has a commitment to, and this has recently been reflected in our approach to grants to libraries. In addition to the recognition of this in the libraries area, the government is demonstrating its commitment to the 79 councils now across the state by providing increased recurrent funding for interpreting and translation services. And \$237 000 has been allocated in the 2003–04 financial year.

The local government language services program is designed to improve access to general government services as well as information for those citizens and residents who have a low level of proficiency in English by assisting councils in meeting the costs of purchasing language services. I should say that this is in addition to a range of

support which is provided across the government through a range of government departments, including particularly the Department of Human Services, to improve access to specific services.

I am pleased to say that Victorian councils are well aware of the importance of providing services to all members of their communities and ensuring that the services are available for people who need this particular form of assistance to better access local government services. The local government language services program is certainly doing its part. It is making its contribution to ensuring that local government services can be accessed on an equitable basis around Victoria.

Mr FORWOOD — This morning I attended a meeting at the Manningham City Council with local members of Parliament, including Ms Lidia Argondizzo, Ms Heather McTaggart and Ms Carolyn Hirsh. This is a regular meeting we have out there between the councils and local members of Parliament. I have with me a copy of the council's agenda, and it covers issues such as the Bulleen drive-in site, the regional mulching facility, transport issues and particularly roads, strategic planning issues, asset recording, relocation of traffic lights, cost shifting, home and community care and the Local Authorities Superannuation Fund. Those are the sorts of issues that the council puts on the agenda which we talk about with it. I guess none of those fall within your area of responsibility as the Minister for Local Government?

Ms BROAD — I do not have a copy of that document.

Mr FORWOOD — Here it is.

Ms BROAD — I guess having it flung across the table is not a great way to operate.

Mr FORWOOD — I was not meaning to be rude, I was just trying to get it to you.

Ms BROAD — We have had a series of questions in Parliament about this exact issue. What I have indicated first and foremost is that as Minister for Local Government I do perform a role as an advocate for local government and make a point of addressing issues across the government which are raised with me by councils and shires. As recently as yesterday I attended a meeting in relation to the superannuation issue, which is certainly one that has been raised with me and is a very serious issue for local government. It is one which I have been paying a great deal of attention to and working on with the peak bodies in seeking to support councils and shires in finding a satisfactory resolution to how they will deal with that particular pressure. The same goes for roads.

As recently as yesterday I met with the Victoria Grants Commission to receive a briefing from it in a great level of detail about the proposed recommendations which it is making to the commonwealth government in relation to its recommended break-up of road funding across local government, understanding that that is a critical issue for councils and shires across the state.

So in addition to the direct funding for which I am responsible there are a whole range of matters like the ones I have just referred to where I do take a very close interest. Under the Local Government Act my responsibilities in relation to the good governance of local government give me a very wide charter in terms of listening to and representing local government on a very wide range of issues. Certainly the ones on this list of the council are ones that I am very familiar with.

Ms GREEN — In your presentation this morning you referred to asset management; also on page 398 of budget paper 3 shows one of the objectives of the local government and regional services division is the sustainability of infrastructure support. Can you tell the committee what initiatives you have taken to support councils with asset management?

Ms BROAD — There are number of important initiatives which are under way to assist and support councils in the management of their infrastructure assets. The first of these is the asset management performance measures project — that is a bit of a mouthful, I know — which will assist councils to develop a web-based reporting tool and guidelines to measure their own performance in the management of infrastructure assets as well as to assist them in demonstrating continuous improvement in their management of infrastructure assets to their own communities.

The government has set aside, as I have mentioned, some \$80 000 for bushfire recovery bridges assessment funding which will be made available to affected councils. They are the Alpine, East Gippsland, Indigo and Towong shires, and that will be for detailed structural assessment of bridges to determine their level of safety. I

understand the engineering assessments involved are quite complex and expensive and that is the reason for that particular funding.

In a broader sense the department has also committed funds — some \$60 000 — to the Municipal Association of Victoria (MAV) to support the completion of a feasibility study into the establishment of a central borrowing authority for the local government sector. That proposal has the potential to deliver significant benefits to Victorian councils and that is the reason the Victorian government has been very keen to support the completion of that feasibility study. They are just some of the initiatives that councils and shires are being supported in this area.

Mr RICH-PHILLIPS — One of the issues that local government is facing or is likely to face this year is the introduction of a no-lift policy with respect to occupational health and safety, flowing, as I understand it, from work that Workcover is doing which will impact on things such as home and community care services, where workers are required to lift patients-clients, and garbage collection where council workers are required to physically lift materials for recycling et cetera. The MAV has estimated that the introduction of a no-lift policy across local government would cost in the order of \$100 million in terms of additional infrastructure and equipment that would be required. I am wondering, given this is proposed to take place from the middle of the year, what action the government is taking to reduce the budgetary impacts that that policy would have on local government?

The CHAIR — Where did you refer to that in the budget papers?

Mr RICH-PHILLIPS — Just the role that the office has in supporting local government; and the \$33 million through that output group, supporting local government. I am wondering, just within that, what the minister is doing.

Ms BROAD — In responding, clearly there are a range of ministerial responsibilities involved here, and in particular the minister responsible for Worksafe. I am certainly aware that this is an issue for councils, and there is another side to this.

We have heard a great deal about insurance matters in recent days. Balancing risk management to try to deal with insurance costs is a pressing matter for councils and shires, and occupational health and safety is part of that risk management.

The draft waste collection industry guidelines have been subject to extensive public consultation with councils and shires. The final guidelines, as has been indicated, come into operation on 1 July and are aimed at providing a safe working environment through the adoption of best practice in waste management, as well as home care, and that is the basis on which they are proceeding.

Part of the consultation process was a forum, which the Municipal Association of Victoria and a whole range of councils and shires participated in. The review conducted by that forum proposed that the sector implement the mechanical methods as far as practical to deal with this area.

The detail of the guidelines is the direct responsibility of the Minister for Workcover. This issue has been discussed with me by councils and shires, and there has been a great deal of consultation around how councils and shires are going to deal with this from 1 July going forward and a great deal of consideration of issues of practicality in relation to the particular circumstances faced by individual councils and shires.

Mr RICH-PHILLIPS — Given the MAV estimates it will cost \$100 million across local government to implement this, what will your office, as advocate for local government, do to assist it?

Ms BROAD — As I have indicated, there is a balancing factor here and this is in the area of risk management of insurance costs to local government. There will be benefits in terms of local government better managing its exposure to insurance costs by better managing risks in relation to this particular area of occupational health and safety. I am not in a position to do an estimate of how all of that balances out right now, but it is important to indicate that there is another side to the equation here, which is equally important to the local government sector. As this has been under consideration for an extended period of time, councils are certainly building this into their budget processes, their corporate plans going forward. It is a cost that councils are well aware of that they need to budget for.

Mr RICH-PHILLIPS — So you are expecting a reduction in liability premiums to councils?

Ms BROAD — I am indicating that this will certainly assist councils in managing their risks and their associated insurance costs.

Mr MERLINO — Minister, in your presentation you mentioned the local government improvement incentive program and national competition policy. I refer you to page 398 of budget paper 3 and the performance measure compliance with national competition policy. What barriers exist within councils that are preventing a high level of compliance with national competition policy, and what action is being taken within the portfolio to encourage higher levels of compliance by councils with national competition policy in order to potentially achieve more cost-effective and efficient outcomes?

Ms BROAD — As I indicated earlier, Victoria is the only state to share national competition policy payments with local government — something which we are very proud of and are continuing with. A total of \$15.4 million in competition payments was paid to Victorian councils in 2002–03, and that represents around 9 per cent of the competition payments received by Victoria from the commonwealth.

From this year payments will be distributed to councils under the local government improvement incentive program, which is the name of the program that we give for the distribution of that share of the national competition policy payments, and in order to receive payments under the program councils need to comply with a number of requirements. They include ongoing compliance with national competition policy, progress in the implementation of best-value principles and progress in the implementation of asset management plans. In each of those areas councils are required to report on their compliance; there is quite detailed reporting. I am pleased to say that in the Best Value area reporting has been increasing over time.

A guaranteed sum of \$150 000 is allocated for councils that demonstrate compliance, plus a per capita amount for each council is delivered through this scheme. That per capita payment will be increasingly focused on ensuring that councils are delivering strategies for building stronger and more active communities through their asset management and best-value approaches, which is in line with the government's priorities demonstrated through the creation of the new Department for Victorian Communities and the key role that we see local government playing in delivering on those objectives which the new department has been created to deliver on. Those are the main areas through which councils are required to demonstrate performance to receive payments through the program.

Mr FORWOOD — Minister, I know you touched on this briefly in Parliament yesterday, but I want to deal with the vexed issue of whether or not there is cost shifting between the three levels of government. You would be aware that the federal government has had an inquiry through the Senate Standing Committee on Finance and Public Administration and an inquiry into local government and cost shifting. I am aware that many councils believe there is significant cost shifting between each of the sectors and, as the most local member, they are on the receiving end of it, in particular in relation to the implementation of government policy without additional funds where they have to pick up the compliance issues.

One example given to me was the tobacco legislation, which required local government inspectors to be the people who policed it, but apparently no funding was made available for that activity. In relation to statutory planning, because of the change to the planning scheme there is now a greatly increased workload on local planners, but there has been no dimension of the increase in the amount of funds made available to them other than through their normal rate notices. Do you accept that there is cost shifting going on?

Ms BROAD — In reference to the commonwealth inquiry, it is an inquiry which is being closely followed. What comes out of that inquiry will be of great interest to all levels of government. My understanding is that it is something of a vexed area, that there are very significant differences across the states — for example, the inquiry has not recognised very significant differences like the fact that in Victoria councils have a major role in delivering home and community care services, which is not the case elsewhere. I understand that in Queensland councils have a major role in running extensive water supply businesses — going back to a much earlier period as far as local government is concerned in this state where councils no longer run those sorts of businesses. The consideration of these matters by the commonwealth inquiry is particularly vexed.

As far as the Victorian government is concerned, we are not in the business of cost shifting from the Victorian government to local government. As I have indicated in some of my earlier remarks, we are concerned about enhancing the capacity of local government in a whole range of areas, including planning where the Minister for Planning, with my full support, has recently provided a series of payments to councils which are particularly affected by the Melbourne 2030 developments. At present we are considering support in relation to councils which are outside of those boundaries but are also being impacted by growth, both around the metropolitan area and in other parts of the state. As far as the state government is concerned, we are certainly wanting to support and enhance government in a range of areas. I also draw attention to increased payments through the state government in areas like HACC.

The other thing I would say about the commonwealth inquiry is there are some proposals which have been put before it in relation to centralisation of commonwealth financial assistance grants — to allocate those on a national basis. This is a proposal which I understand is before the inquiry. We have done some work on that. My understanding is that if that were to happen Victoria would be worse off as a result of the fiscal equalisation measures which are applied. Victoria would be very much the loser in that model if it was to be applied coming out of commonwealth inquiry. We are certainly following what is happening in that inquiry closely and taking a close interest in it. However, I do not have detailed information at this stage about what it is likely to bring down in its conclusions.

Mr FORWOOD — I do not either. Just from the state point of view, the request local government puts to me sometimes is if the state government is going to bring in legislation that puts an additional burden on local government, could there be some sort of impact statement that indicates what that will be and local government be given the opportunity to contribute. They are saying to me that a significant impost is just the compliance cost of implementing new government legislation and no-one is assessing this at the moment.

Ms BROAD — I am certainly aware that that formal mechanism has been proposed by a range of councils and the Municipal Association of Victoria. In introducing new legislation, and for that matter amending existing legislation, implementing government policy impacts on local councils are certainly matters which all ministers, particularly myself as Minister for Local Government, have regard to and are very careful to take into account. Putting to one side the dialogue about what sort of formal mechanism could be implemented, how practical that would be and how that might be administered, the state government is certainly committed to ensuring that we do take into account impacts on local government in line with our commitment to treating local government as an equal partner in government, and wishing to ensure that when the state government is pursuing state government policies where it wants local government to play a significant role that it is doing that in a fair and reasonable way.

The CHAIR — This committee has historically been very interested in annual reports and every local government puts out an annual report. I am also conscious that on page 391 of budget paper 3 reference is made to a number of reports that are published annually. I would like you to outline to the committee what the 2002 *Local Government in Victoria* report highlighted and to what extent the latest report on local government in Victoria has influenced strategic directions. I think we are all very conscious of the fact that many trees are cut down to prepare annual reports, but from this committee's point of view we are concerned about how strategic directions and budgeting are impacted on by those reports.

Ms BROAD — I am sure this committee is doing its bit in terms of the production of paperwork.

Mr FORWOOD — Actually we are not — we are appalling at producing paper.

Ms BROAD — I am afraid I have to confess that I have certainly produced a bit of paper in preparing for this. In addition to the annual reports that councils and shires produce themselves and those which the department produces, the *Local Government in Victoria* report takes a range of information across the whole of the local government sector and puts it together. The most recent report is the *Local Government in Victoria* 2002 report. Among other things that report shows, importantly, that the local government sector continues to have a high satisfaction rating among constituents, despite what you might hear to the contrary from time to time. That is why I think it is important to measure these things in these reports — so we can have regard for the facts and for scientifically gathered information. The satisfaction ratings demonstrate that councils have increased them by 6 per cent between 1999 and 2002, with 78 per cent of respondents now rating their council's overall performance as adequate, good or excellent.

We can also see from the local government report the increase in rates and operating expenditure, another area which is closely scrutinised. It has increased by around 7.5 per cent. When you compare the satisfaction ratings with what is happening with rates and operational expenditure, it indicates that communities have a fairly sophisticated understanding of local government. That is because there is no clear relationship between community satisfaction with a council's overall performance and rate increases. There are some pretty well publicised examples of that. I think Wodonga is the one that is most often quoted where high community satisfaction equates with some higher than average rate increases and where that council has done a particularly comprehensive job of explaining to the community what it is doing with its rates and charges revenues and what it is doing in the area of operating expenditure.

A key element in the major increase in both capital and operating expenditure is the federal government's Road to Recovery program. As we know, at this point in time there is no ongoing commitment by the federal government to

continue that funding which is due to finish in 2004, and given the very substantial responsibilities for local government funding which flows through from the federal government to local government for local roads, that is of significant concern to councils and they are looking for that to be resolved by the federal government as soon as possible.

Mr FORWOOD — This is the last chance we will get to ask you this question because we are about to move to your other portfolio. This is a sort of unrelated supplementary question.

The CHAIR — I will just see if I will rule this in or out.

Mr FORWOOD — I wondered if you would care to share with the committee your views about the City of Hume's decision to ban ham sandwiches?

The CHAIR — On that note, I think we will head off to coffee.

Ms BROAD — I was at Hume council on Monday night. I attended a very pleasurable dinner with councillors and council officers and then participated in a presentation which they made to me, and there was no mention of the matter to which you have just referred.

Witnesses withdrew.