

VERIFIED TRANSCRIPT*

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006-07

Melbourne — 6 July 2006

Members

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Witnesses

Ms C. Broad, Minister for Local Government;

Mr Y. Blacher, secretary;

Ms P. Digby, executive director, local government and community information; and

Mr S. Gregory, chief finance officer, Department for Victorian Communities.

*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication.

The ACTING CHAIR (Ms Romanes) — Good morning. I declare open the Public Accounts and Estimates Committee hearings on the 2006–07 budget estimates for the local government portfolio and the housing portfolio. I welcome Ms Candy Broad, Minister for Local Government and Minister for Housing; Mr Yehudi Blacher, secretary, Department for Victorian Communities; Ms Prue Digby, executive director, local government and community information; and Mr Stephen Gregory, chief finance officer, Department for Victorian Communities. I also welcome departmental officers, members of the public and the media.

In accordance with the guidelines for public hearings I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

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 by email for their verification. We are asking if they can be returned or comment sent back to the secretariat within two working days.

I ask that all mobile telephones be turned off. 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. We have allocated 5 minutes for that, Minister.

Slides shown.

Ms BROAD — Thank you, Acting Chair. A copy of the presentation on local government has been distributed, and I will speak to that briefly. The presentation covers the objectives and achievements for 2005–2006 as well as the priorities for 2006–2007 in the local government portfolio.

The first slide shows the objectives and the achievements for the local government portfolio in 2005–2006. These objectives reflect the Bracks government's commitment to work in partnership with local government, to build stronger communities and to ensure effective democracy through supporting a strong local government sector.

Because of the time limits I do not propose to speak to all of the 2005–2006 initiatives and achievements. The initiatives are listed in relation to the objectives that we have just seen. In relation to the first objective, strengthening communities, the initiatives and achievements include the Neighbourhood House Coordination program and the Modernising Neighbourhood Houses program. Moving through to the Local Government Improvement Incentive program, almost \$17 million was paid to Victorian councils in 2005–2006, and regrettably these payments will be the last under this program, because the commonwealth government has ceased making competition payments to the Victorian government. In some cases for smaller rural shire councils, this can be up to 5 per cent of their rate revenue.

Moving on to further achievements listed, for libraries there is recurrent funding, the Living Libraries program and the Book Bonanza program.

Continuing on to our second objective of strengthening democracy, the achievements listed include the 2005 local government elections, where some 54 councils held elections in November 2005. These elections marked an important milestone in the transition to all 79 councils holding elections in November 2008 on the same day.

Also — electoral reviews. Prior to the November 2005 elections, reviews were completed for 39 councils, and the remaining 39 will commence in 2007 and be completed in time for the 2008 elections.

Moving then to the intergovernmental agreement, this new national agreement between the commonwealth, state and local governments commits Australia's three tiers of government to working more effectively together to manage changing needs and plan for future growth. The Victorian government is working closely with the Municipal Association of Victoria in designing implementation of that new agreement.

Moving then to the third objective, strengthening local governments, the achievements listed there include local area planning support grants. Grants of \$3.1 million were launched in January 2006 as a key initiative of A Fairer

Victoria, specifically developed to encourage local councils to develop new skills, resources and processes to inform local area planning and to assist with local economic development, community programs and infrastructure. Today I am announcing the approval of 26 projects through that grant program to the value of just over \$3 million. Also, the community assessment tool has been developed in consultation with the local government sector.

Continuing on to infrastructure management initiatives, a range of initiatives were pursued in 2005–2006 by my department with the peak local government bodies to jointly assist councils to improve their asset management. Those initiatives are listed.

I turn now to the new priorities for 2006–07, and they are grouped according to the same three objectives. The next slide deals with the first objective, strengthening communities. With respect to neighbourhood houses grants, the coordination program will increase to \$18.1 million in 2006–07, and that is a 196 per cent increase in funding since 1999 — 2000. This also represents an overall increase of 62 per cent in recurrent funding compared to last year's recurrent funding for this program.

Moving to public library grants, these include almost \$29 million in recurrent funding and \$2.5 million in funding for projects under the Living Libraries program, and it is expected that 10 projects will be completed in the current financial year. There is \$1.75 million for the purchase of books and other materials through the Book Bonanza program. Further funding is to be provided to VicLink to support the implementation of LibraryLink Victoria, a new government initiative which enables library users to access library resources across Victoria via the Internet. The total investment there will be \$500 000.

With respect to the second objective, strengthening democracy, we have the joint state and local government planning project which it is expected will create efficiencies for local councils in their planning activities and also ensure that state objectives can be met in a more integrated way at the local level. Importantly, it will also assist with implementation of the new intergovernmental agreement. A comprehensive resource guide designed to increase community understanding of how local government works has been drafted, and it is expected that that will be available on the web.

On the third objective, strengthening local governments, a range of initiatives will be pursued in 2006–07 to support better infrastructure management, which continues to be a high priority for the state government and for local government. Over the next 12 months the Best Value Commission will work with the local government sector to develop best practice guidelines to further embed best value.

The ACTING CHAIR — Thank you, Minister. If we could go to the topic that you mentioned in a couple of sections of your presentation, and that is the local area planning grants: could you tell the committee how these grants will support councils in improving their planning response to community needs?

Ms BROAD — As I indicated in my presentation earlier this year in January, I launched the Local Area Planning Support program. It is a key initiative of A Fairer Victoria, the state government's social policy action plan, now into its second stage. A Fairer Victoria identifies a range of actions to ensure that communities have greater input into their own future development, with a particular focus on addressing disadvantage by creating opportunities in all Victorian communities.

The \$3.1 million Local Area Planning Support program was developed specifically to assist councils in pursuing those areas by developing new skills, new resources and processes to help them plan for further local economic development and community programs and infrastructure.

The grants will assist local governments particularly to increase their planning capabilities and put them in a better position to develop integrated local area planning with state government agencies, as well as allowing for more community involvement in planning decisions.

All local governments were required to be in partnership with at least one other local government in order to be eligible to apply for grants of up to \$150 000 for projects. This was designed to ensure the maximum sharing of benefits through this grant program by encouraging local governments to form partnerships with other local governments.

The closing date for submissions was in April. Some 63 applications were received, with a total value of \$7.1 million. It was a very careful assessment process. I am very pleased that following that assessment process I

am able today to announce the approval of 26 projects to the value of just over \$3 million through that program. They will be distributed to 61 councils. It has been possible to achieve a pretty high level of coverage of 61 out of Victoria's 79 councils.

The ACTING CHAIR — As a supplementary question, could you tell us what the priorities were for the selection of successful applications? If 26 out of 63 applications were successful and the program is positioned under A Fairer Victoria, which councils were priority councils? Was it the nature of the applications that they submitted to the department?

Ms BROAD — This has been a particularly complex and rigorous process which my department has overseen. With your agreement, I might ask the executive director for local government to talk about how the department balanced the various criteria.

Ms DIGBY — A number of applications were received that focused on particular systems to collect data that only apply to one particular function of the council — for instance, improving their land-use planning data collection. Those sets of applications were deemed not to comply with the guidelines, as we were looking for data and systems that actually went across the functions of councils and allowed them to plan more effectively at a community level. There were a number of applications within that pool that did not really comply with the criteria. Australian Bureau of Statistics data was another category where councils were looking for assistance, and we have decided that we would work with the Department of Sustainability and Environment to help a number of councils deal with those data type issues rather than funding through this program. The other interesting area was street addresses reconciliation. Once again, it was a very functionally specific thing that did not meet the criteria. That left a number of what we deemed to be eligible projects, of which most were funded. They were partnership projects and they were across all regions in Victoria, so there was not a specific area.

Mr CLARK — I refer to the 2004–05 annual survey of public library services and, in particular, page 38 which shows that since 1999–2000 state government core funding for libraries has gone from \$24 million to \$26.1 million. At the same time local government funding for libraries has increased by a far greater amount — \$72.1 million to \$96.6 million. It seems to me that those figures show that the proportion of funding for libraries being borne by local government has increased dramatically compared with the state government's contribution. Would you agree with that proposition and that under your current policy, municipal libraries are still being funded at close to historically low rates by the state government, leaving the burden falling very heavily on local government?

Ms BROAD — In response, I think we might have discussed this at a number of previous years PAEC hearings. On the question of public library funding, I would certainly underline the increases that have occurred under the Bracks government. For the first time in a very long time public libraries now have population growth recognised in recurrent funding allocations, which has been a substantial improvement which has occurred under this government. In going back to history which predates several governments and referring to periods going back a very long time when public library recurrent funding was shared between local government and state government, those figures were achieved, I understand, at most for one or two years and have not applied for a very long time. They also occurred at a time when there were much fewer public libraries than now exist and when the commonwealth government was taking a strong role in supporting the expansion of public libraries. This was, I believe, during the Whitlam federal government. Certainly in recent times the funding being provided by the Bracks government in terms of recurrent funding is at historically high levels.

In addition to that, when funding is included for infrastructure, which includes both buildings and information technology, and when the funding is also included for materials — given that libraries are now expected to have on hand not only books and periodicals but DVDs and a whole range of resources to support learning — when all of those amounts are taken into account there is no question that over the period, on a year-by-year basis, funding to public libraries has increased significantly. I am very pleased that as a result of the additional commitment that I referred to in my presentation — the \$500 000 to support access through the Internet to all of Victoria's public libraries which will be joined up through this initiative and which will allow people from across the state who are library users to access resources in any public library across Victoria — we will see a further increase in the access to our public library resources through that funding.

Mr MERLINO — Minister, I refer you to page 412 of budget paper 3 and the discontinued output measures on national competition policy, and also to your comments in your presentation. To what extent will the

loss of national competition policy grants from the commonwealth after 2005-06 impact on the finances of municipal councils in 2006-07 and beyond?

Ms BROAD — Thank you for that question on this very important matter which is impacting very adversely particularly on our smaller rural shires. The Bracks government recognises — and I might add the previous state government also recognised — that local governments have made a very important contribution to increasing Victoria's competitiveness by implementing reforms which are part and parcel of the national competition policy reforms commenced under a previous federal Labor government. In fact under the Bracks government the amount of funding through that program shared with local government is 9 per cent of the payments received by Victoria from the federal government. As a result of the decision of the federal government to discontinue these grants, almost \$17 million will now not be available to councils. I might add that the amount now not available to the Victorian government is in the order of \$200 million, so this year's impact is very significant indeed.

The Victorian government has very actively supported the case which has been put by individual councils and by the Municipal Association of Victoria to the federal government for continuation of at least this component of payments to Victoria so they could be passed on to local government. Victoria is the only jurisdiction to have shared national competition policy payments with local government. Sadly, those representations appear to have fallen on deaf ears. So in preparing their new budgets councils are having to prepare for what is a very significant reduction in their revenue. If I can give some examples, the payment received by West Wimmera Shire Council is equivalent to approximately 5 per cent of its rate revenue and the payment received by Gannawarra Shire Council represents some 4 per cent of its rate revenue. These are shire councils which have a very limited capacity to increase the rate burden on ratepayers. As a result they are looking at very serious questions around what their priorities will be in terms of how they apply this reduction in their revenue to services, to maintenance of infrastructure and to their rating policy.

Certainly the Victorian government will continue to support the case of a recognition by the federal government that local government does make an important contribution to Victoria's competitiveness and that that needs to continue. While important reforms have been implemented and valuable gains have been achieved, there is more to be done to improve the efficiency of local government administration, and certainly further investment in reforms can produce benefits for the whole community.

Mr RICH-PHILLIPS — I want to ask you about the aggregate level of grants revenue made by the state government to local government. On budget day you issued a press statement announcing a 10 per cent increase in the level of grants and transfers to local government to a total of \$547.9 million, which is shown on page 420 of budget paper 3. However, in looking back through previous budgets, back to 2002-03, the budget for 2002-03 was also \$547.9 million and for subsequent years dropped by more than \$100 million to around \$425 million for the intervening years. So the figure budgeted for grants revenues this year is exactly the same as was budgeted four years ago, so there has been no increase either in nominal or real terms in the past four years. Can you explain to the committee why that is?

Ms BROAD — I can certainly take the committee through the tables that are included in the budget papers which indicate the 10 per cent increase in grants and transfers to local government in 2006-07. I indicate that is a net figure after taking into account a decrease in commonwealth government grants, particularly because of the matter I was discussing a moment ago — the removal of national competition policy payments by the commonwealth government — but that has been more than compensated by state government grants and transfers. I might add that that table which demonstrates that 10 per cent increase for 2006-07 does not include a whole range of further funding which is provided to local government in order to fund services which are delivered by local government — for example, the HACC program is substantially delivered by local government.

In relation to comparisons with earlier years, my understanding is that — in fact what I might do here is refer to some adjustments that were made in earlier years to grants and transfers. I might ask the executive director, local government, to take us through those earlier years comparison — sorry, the chief financial officer.

Mr RICH-PHILLIPS — Do you want this table at all? Are you familiar with what I am referring to?

Mr GREGORY — I am.

Ms BROAD — Hopefully we have got the same thing.

Mr GREGORY — Just in relation to those budget figures, they are budget figures, and actually the spend for 2003 was \$482 million. There is always a split between commonwealth and state funding, so in relation to 2003, \$482 million was allocated to local government — 359 was for commonwealth and 123 was for state. In relation to the 2006-07 budget, we are looking at about 394 for commonwealth and 153 for state. There is some lumpiness in the numbers in relation to the RIDF, the regional development fund. Therefore, you have some big projects that rise and fall a little bit, but underlying those figures are those movements in state and commonwealth funding.

Mr RICH-PHILLIPS — Does the figure that is shown on page 420 of this year's budget paper, the 547.934, reconcile with the 547.9 on the table I have just passed across to you for 2002-03?

Mr GREGORY — It would. It would be the same, yes, but that is a budget figure and — —

Mr RICH-PHILLIPS — But this is also a budget figure for this year.

Mr GREGORY — Yes, it is, but the actual figure was 482 for 2003, so the actual grants provided — —

Mr RICH-PHILLIPS — So it was actually less than budget for that year?

Mr GREGORY — Yes, and that would be mainly, I would think, resolved to lags in the regional development fund. There are large projects that rolled out, and therefore they might have taken a bit of a lag before they hit, so it is a bit lumpy in that particular spend.

Mr SOMYUREK — Minister, can I refer you to budget paper 3, page 257, local government sector development output, and to the performance measure 'Neighbourhood house program grants: number approved'. It is evident from this that there has been a huge increase in the number of neighbourhood house programs approved. The 2005-06 target was 21, and that outcome was actually achieved. For 2006-07 the target is 50 per cent — a huge increase, a more than 100 per cent increase. Can you please provide to the committee further details of funding to be approved?

Ms BROAD — Thank you. The 338 neighbourhood houses funded through the Neighbourhood House Coordination Program deliver a very wide range of social, educational and recreational programs, and that is why it is particularly pleasing that the additional funding of \$27.8 million over four years is going to assist neighbourhood houses to deliver even more services to Victorian communities which need them. The funding boost will, importantly, strengthen the financial base of neighbourhood houses as well as allowing the range and number of programs that they can provide to a large number of Victorians.

As a result more Victorians will be able to access the programs and services provided by neighbourhood houses. They range from further education, training and lifelong learning to support groups, social and leisure activities, child care, and information and advice services. Of course there are a huge number of volunteers in addition to the paid coordinators of neighbourhood houses who further enable neighbourhood houses to deliver this huge range of activities. As I indicated in my presentation, the total recurrent funding in 2006-07 represents a 62 per cent increase relative to last financial year, and importantly it represents a threefold increase since the Bracks government was elected, so over that period recurrent funding has increased from \$6.1 million to \$18.1 million in this financial year.

As well as the huge increase in recurrent funding there has also been assistance to neighbourhood houses to provide grants to improve their infrastructure, and through the Modernising Neighbourhood Houses program announced in A Fairer Victoria, \$12.4 million is being provided in grants to develop new neighbourhood houses, to redevelop new facilities, to assist relocations where that is necessary and also to improve information and communications technology, which is a very important service that neighbourhood houses provide.

I recently announced a total of 114 grants through the Modernising Neighbourhood Houses program, which included funding for nine new neighbourhood houses, and that will be a further boost for the neighbourhood house services that are provided across Victoria. I am pleased to say that there will be a further round of funding in 2007 through this program following further work with applicants through that program.

Mr CLARK — My question again relates to the information on public libraries that your department has published in the annual survey. I refer to page 41, which shows that the state government's contribution to capital library works has fallen from 22 per cent in 1999-2000 to 19 per cent in 2004-05. I understand that in recent times

two public library corporations have had to cease operating mobile libraries altogether — there are four less mobile library vehicles on the road — and the number of mobile library stocks has reduced by 135.

Again I ask you: would you agree that councils are struggling to cope with the increasing burden that has been placed on them by the fact that your government is funding a diminishing share of library capital costs as well as recurrent costs?

Ms BROAD — In response, in terms of assistance with the capital costs of libraries, under the Bracks government now \$16.5 million has been allocated to 70 projects through the program, which has provided an enormous benefits in terms of improving public library buildings across the state. Not only has that provided new libraries and new mobile library services but it has also assisted older libraries that were in desperate need of refurbishment and extension to meet increased demand to be refurbished.

The Living Libraries program certainly recognises that local governments also make a very significant contribution to meeting the capital costs of our public libraries, and the Living Libraries program is a partnership program where state government grants go together with local government contributions.

In terms of the changes between the amount expended and allocated on a year-on-year basis, the timing of projects and the delivery of projects certainly moves around from year to year, and there have been a range of issues with some projects going to planning approvals and the like which have caused some delays in some projects, which has caused some lumpiness in the funding where amounts have been carried over to, I believe, lead to the year-on-year comparisons that you are making.

But I think when you take across the length and period of the Living Libraries program, the number of projects, the total amount of funding which has been provided by the Bracks government, it is a very substantial boost indeed to our public library services through this program.

The ACTING CHAIR — On page 157 of budget paper 3, there is reference to the intergovernmental agreement establishing principles guiding intergovernmental relations on local government matters, and that agreement is intended to, as I understand from the notes, improve relationships between all three tiers of government and to reduce duplication of services between governments. What do you envisage the impact of this agreement to be on Victorian municipalities, including the role of the Victoria Grants Commission in allocating grants to all municipalities?

Ms BROAD — I was certainly very pleased, together with ministers responsible for local government from all states and territories and the federal minister and the Australian Local Government Association, to sign the new national intergovernmental agreement on 12 April this year. I certainly believe it is going to greatly assist both the state government and local governments to better solve problems, manage emerging needs and to plan for future growth in a much more integrated way than has been the case in the past. Importantly, it will place on both local government and state government a discipline to identify any new requirements that have been placed on either state government agencies or local government which impact on local communities. That is the mechanism that the state government is working with the MAV to develop now in a detailed way so that that can be fully implemented.

The agreement commits the Victorian government to consult with local government on the provision of any new non-regulatory services and functions which impact on service standards, any new financial arrangements and whether local governments are ultimately willing to accept new responsibilities. This approach is very much in line with the policy of the Bracks government to recognise local government as an independent tier of government in its own right and to treat local government with the due respect that it should be accorded as an independent tier of government.

The Victorian government was very pleased to be a leader in the development of this commonwealth, state and local government intergovernmental agreement. We think it very much reflects the approach which the Victorian government has taken under the leadership of Steve Bracks, and we are very pleased to now enshrine that in a formal agreement. We are working on taking it to the next level with the MAV in putting in place some very practical guidelines that can assist state government agencies and local government to ensure that that agreement is properly implemented, adhered to and monitored.

Mr CLARK — I want to come back to the Annual Survey of Public Libraries 2004–05 and refer you to some further statistics which are on page 9 of that report by your department showing that since 1999–2000 the number of permanent libraries, including branches, has fallen from 238 to 230 and that the number of mobile libraries has fallen from 32 to 27, and the number of mobile library service points has fallen from 605 to 451. Surely you agree that this shows that municipal libraries are struggling under the funding pressures caused in large part by state government funding not keeping up with costs and needs? If so, what plans does your government have to support the continued level of public libraries Victorians have enjoyed in past years?

Ms BROAD — In response, I can certainly indicate that everywhere that I go public libraries are expanding, not contracting.

Mr CLARK — Your figures say otherwise.

Ms BROAD — Some 50 per cent of Victoria's population use our public libraries. As recently as last week I was very pleased to open a new service in Nagambie. As I have indicated, some 70 projects have been funded under the Bracks government. Some \$16.5 million has been allocated through the Living Libraries program. This has seen library infrastructure in rapidly growing communities for the first time. It has seen new libraries in some older communities that until the Bracks government came into office had never had a public library, like Broadmeadows in my electorate — it had never had a public library in the past and it now has an excellent library service in the Hume Global Learning Village. That experience has been replicated in many communities across Victoria as a result of this program. I am very pleased at the level of support it is getting from local government.

There is no question that local governments are stretched in terms of their capacity to fund infrastructure, be it roads, which are the biggest component of infrastructure funded through local government budgets, or be it libraries, which tend to be a much smaller component relative to roads. Those pressures will only be resolved when local government is given an appropriate share of commonwealth tax revenues.

Mr CLARK — What about state revenues?

Ms BROAD — We have seen those decline from 1.02 per cent when the Howard government was first elected to now around 0.7 per cent. Financial assistance grants to local government are clearly a responsibility of the federal government under the intergovernmental agreement on taxation. It is well past time that a fair share of commonwealth tax revenues through financial assistance grants was provided to local government. For our part the Victorian government is certainly strongly supporting local government, as that table that was discussed earlier in the hearing demonstrates in terms of — —

But in addition to the funding we discussed earlier, certainly the amount of funding which is being provided to local government to deliver services has also substantially increased. What I was searching for before was the level of grants and transfers where the grants and transfers from the Victorian government, to answer the member's point, have had to increase in order to make up for a reduction in commonwealth grants and transfers to local government. We have seen, for example, that clearly happen over the last two financial years. Not only has the state government been making up for reductions, we have also made very substantial commitments through funding services like maternal and child health, like the HACC program, which have all seen very substantial increases under the Bracks government.

The ACTING CHAIR — Thank you, Minister. That concludes the questions on local government. I thank all the witnesses for their attendance.

Witnesses withdrew.