

MANNINGHAM

BALANCE OF CITY AND COUNTRY

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MANNINGHAM
CITY COUNCIL

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INVESTOR IN PEOPLE

Ms Carole Gardner
Local Government Study
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Ms Gardner

Productivity Commission

I thank the Commission for the opportunity to make comment in relation to the inquiry being carried out. The issue of revenue raising capacity is critical to Local Government and impacts directly on millions of ratepayers Australia wide.

Manningham City Council's submission focuses on four key issues.

Cost Shifting

Cost shifting continues to impact on Local Government. Cost shifting arises in projects or services initiated by State and Federal Government where:

- insufficient funding is provided to cover full costs;
- cost escalation factors fall behind the true cost of service delivery; or
- funding is either reduced or stopped.

Cost shifting lessens the value of grant revenue, places undue pressure on Council's expenditure obligations and affects Council's ability to deliver services.

In many cases, the funding made available for services has resulted in raising community expectations that the services will be maintained. When grant funding fails to keep pace with costs and is insufficient to meet needs, the community pays through higher rates and charges.

In order to demonstrate some examples of the dilemma local government faces, I've included some case studies below:

Case Study One: Tobacco Legislation

The State and Federal Governments receive tobacco excise revenue and Local Governments receive grants to undertake various education and enforcement initiatives.

Council has been funded by the Municipal Association of Victoria (MAV) since the introduction of the new State Tobacco legislation in 2000 to:

- conduct education visits to tobacco retailers, eating establishments, licensed premises, bingo centres and shopping centre proprietors about the laws; and
- take enforcement action which involves issuing of warning notices and infringements and investigating complaints in relation to the above premises.

Council has received \$10,734 in grant funds over the three year period from 2004/05 to 2006/07. During this period approximately 500 site educational visits were delivered by Council officers. In addition, Council officers were involved in a Local Government working group which been established to investigate strategies to deal with cigarette litter. Significant preparation work, plus materials and advertising costs contribute to the grant revenue not covering Council's costs.

The funding provided is clearly insufficient for Council to cover its obligations under the proper implementation of this legislation. Whilst Council is supportive of the objectives of this legislation and is highly committed to the reduction of tobacco smoking in the community, Council is clearly disadvantaged by increased compliance requirements and insufficient funding support.

Case Study Two: Rates and Charges

The ageing community will provide challenges to all aspects of service provision in the Australian economy. The age composition of Australia's population is projected to change considerably over the next 45 years. Key changes include:

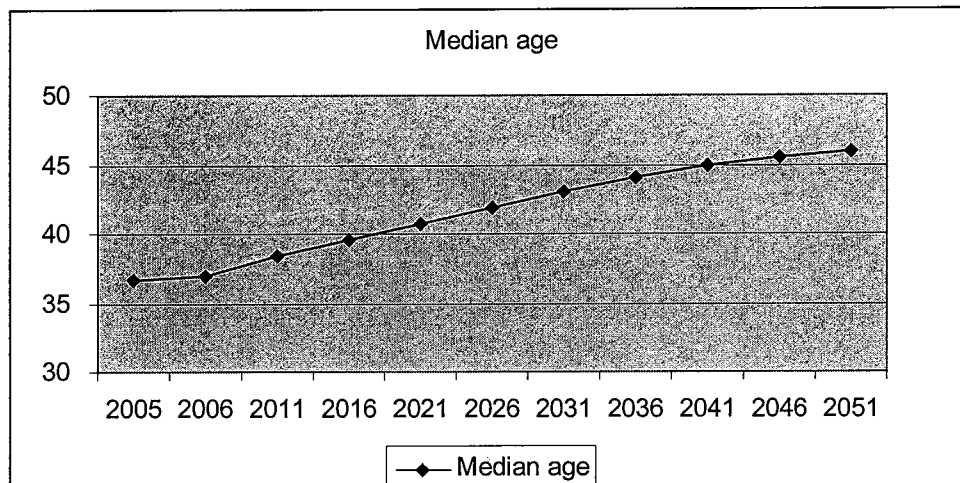
- There will be a much greater proportion of people aged 65 years and over than in 2004, and a lower proportion of people aged under 15 years;
- The median age is forecast to increase from 36 to 46 years;
- In 2004 people aged 65 years and over made up 13% of Australia's population. This proportion is projected to increase to between 26% and 28% in 2051;
- The proportion of people aged under 15 years is projected to decrease from 20% in 2004 to between 13% and 16% in 2051; and
- There were just under 300,000 people aged 85 years and over in Australia in 2004, making up 1.5% of the population. This is projected to grow, to 2%–3% by 2021, to 6%–8% by 2051.

An ageing population means that:

- A higher proportion of ratepayers will have fixed incomes;
- There will be a large increase in expenditure on ageing;
- The less wealthy will be picking up a greater proportion of Council's rate charges; and
- A higher percentage of disposable income will be directed to rates, therefore less to quality of life and necessities of life.

Rates are an inequitable form of taxation in this context and it imperative therefore that local government achieves a fairer share of Federal taxation revenue.

The graph below shows how the median age of Australia's population is forecast to change.



Source: Australian Bureau of Statistics

Case Study Three: Statutory Fee Increases

Statutory fees are those fees set by Government. The amount of statutory fee increases and the timing of the increases are set outside the Local Government environment.

Fee increases can tend to be irregular in their timing and/or often do not cover the increase in actual costs to Councils, resulting in ratepayers subsidising these activities.

I have chosen Statutory Planning fees as an example. Statutory Planning fees are set by the State Government and only recently increased annually to take into account general movements in prices (CPI). The last major review of Statutory Planning fees was in 2000.

At Manningham City Council the cost of providing Statutory Planning services is predominantly determined by the cost of labour. Labour reflects approximately 90% of service delivery costs and has increased by an average of 9% per annum over the last three years (2003/04 to 2005/06). This clearly exceeds CPI, resulting in ratepayers subsidising the cost of Statutory Planning services. This is typical of many services provided by Council.

Case Study Four: Road Management

Under the provisions of the Road Management Act 2004 which came into operation on 1 July 2004, VicRoads became the coordinating and the responsible road authority for all arterial roads within Victoria. Generally, Arterial Roads are roads which were

previously under VicRoads jurisdiction and formerly known as Declared Main Roads. Under the current Act, VicRoads are responsible for the inspection, maintenance and repair of Arterial Roads generally between outer kerbs in the case of urban roads and between property lines on rural roads.

The Code of Practice for Operational Responsibility for Public Roads sets out the demarcation of physical responsibilities between VicRoads and Councils on the Arterial Road network. Under the Code, VicRoads is responsible for pavement used by through traffic including medians and some roadside areas. The Code requires Councils to maintain nature strips and roadsides when there is direct access to the through carriageway except on rural roads and to maintain outer separators, service roads and footpaths.

Prior to December 2004, Manningham City Council delivered routine and periodic maintenance services as well as vegetation management and maintenance services on Declared Main Roads, acting as a contractor on behalf of VicRoads. These works on nature strips and roadside areas were previously funded by VicRoads and are now the physical and financial responsibility of Local Government. The cost to Council of maintaining the outer separators alone is estimated at \$15,000 per annum.

With the introduction of the Road Management Act, VicRoads also reviewed its Maintenance Specification and, in some cases, reduced the applicable intervention standards. A table highlighting the reduction in intervention standards adopted by VicRoads in 2004 is attached for information. It should be noted that the revised intervention levels required no regular sweeping of kerb and channel, no regular litter collection in open drains and a reduction in grass mowing frequency. There was also no reference to garden beds or vegetation in central medians except for tree and shrub maintenance.

For many Councils, the Arterial Roads are the gateways to the Municipality and have a high profile and reduction in standards at these locations would reflect adversely on Council's public image. The reduction in standards can be further highlighted by the presence of intersecting roads under Council jurisdiction maintained to a higher standard.

Local Government determined the standards and amenity of roads throughout Manningham through the Best Value process. Community consultation was a key element in determining the applicable maintenance standards. The amendment of the VicRoads Maintenance Specification and erosion of the intervention standards are seen as adversely impacting on amenity and undermining the Best Value process which was introduced by the State Government. Effectively, a community expectation was established through the Best Value process and the State Government then withdrew part of the funds necessary to meet that expectation.

Manningham negotiated with VicRoads to resume delivery of street sweeping, litter collection and grass mowing services on Arterial Roads on behalf of VicRoads in accordance with the modified specification, to effectively ensure that the presentation of the Arterial Roads within the City meets a standard commensurate with Best Value principles and the needs of the community. Council subsidises this service delivery by \$22,000 annually to achieve a Best Value standard of presentation. In addition as

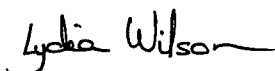
a result of workload reduction, Council experiences increased service delivery unit costs in respect of several maintenance activities such as pothole patching and road grading. The funding gap is further compounded by the increasing cost of traffic management, Occupational Health and Safety requirements generally and increasing fuel and other costs, in excess of CPI. A copy of a Report considered by Council in relation to the loss of VicRoads maintenance works is attached for information.

In October 2005, Council commissioned an independent audit of routine maintenance activities undertaken by VicRoads on nominated arterial roads as a point of comparison with the standard of the assets at the time they were handed over to VicRoads in December 2004. The auditor found that there had been deterioration in maintenance performance in regard to signs, sealed pavements and the urban drainage system. These results are in part consistent with the anticipated impacts of the modification of the VicRoads Specification. A copy of the Audit and associated Council Report are attached for information.

We stress that very good working relationships have been maintained between VicRoads and Council officers and VicRoads maintenance staff continue to provide a high level of customer service. The issue of concern is the reduction in the adopted maintenance standards and the resulting impacts on Councils.

I trust the Commission's inquiry will result in substantial outcomes and deliver significant on-ground benefits to the community. If you require any information with regard to our submission, please feel free to contact me or Council's Director of Quality & Corporate Services, Ms Mona Malouf on 9840 9365.

Yours sincerely



LYDIA WILSON
Chief Executive

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