

## APPENDIX D – LOCAL GOVERNMENT FINANCIAL RELATIONS

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This section provides an overview of the local government sector in Victoria and highlights the *2009-10 Budget* initiatives that involve councils.

Local government is an essential tier of government in Australia, enshrined in the State Constitution. Victoria has 79 councils providing a wide range of services. Many state government programs are either delivered by, or in conjunction with, local government. State government programs may operate in a specific local government area, with in kind support and in collaboration with local government.

In response to the 2009 Victorian bushfires, the State Government has taken decisive action to enable people to get their lives back on track and for communities to begin the rebuilding process. The Victorian Bushfire Reconstruction and Recovery Authority is working closely with local councils to help rebuild communities affected by the bushfires. Local governments are being engaged in the deployment of community bushfire recovery officers and the communication of new building standards. This is in addition to the funding provided under Victorian Natural Disaster Relief Arrangements (NDRA) for emergency response measures and asset restoration work undertaken by local councils in response to the bushfires. Further bushfire related initiatives that will be implemented in partnership with local government are outlined in this chapter.

The State Government has introduced administrative changes to simplify and speed up the claim and assessment process for councils receiving NDRA funding. In addition to these administrative arrangements, the Office of the Emergency Services Commissioner is undertaking a review of the Municipal Emergency Management Guidelines and the manner in which financial assistance is provided to councils following a natural disaster.

The State Government is working with local government on making councils more transparent and accountable, improving their financial sustainability and creating liveable communities. Current initiatives include:

- **Transparent and Accountable Government:** The State Government is reforming legislation to support better local governance and improved councillor conduct. The State has introduced the *Local Government Amendment (Councillor Conduct and Other Matters) Act 2008*, which received Royal Assent on 18 November 2008. The new legislation defines the standards of conduct expected of councillors and gives Councillor Conduct Panels and Victorian Civil Appeals Tribunal powers to discipline councillors who fail to meet those standards. The legislation also redefines conflict of interest to better represent contemporary public expectations.

The Government provided \$600 000 in the *2008-09 Budget* for Councillor induction training. The resource kit, Supporting and Promoting Accountability and Responsibility for Councillors (SPARC), has been developed, and local government peak bodies have received funding to include SPARC content in their councillor training. Councillors from smaller councils are being assisted to attend this training;

- Financial sustainability and performance reporting: The State assists councils to improve their financial sustainability through the collection and analysis of comparative data which identifies councils in need of assistance and provides an evidence base for further action. Model financial reports, best practice guides and training are provided to councils to support their financial and asset management. In addition, performance reporting guidelines are currently being developed which will assist councils to enhance their selection and application of performance measures;
- Creating Liveable Communities: The Living Libraries Program will continue to provide funding to councils and regional libraries to rejuvenate library facilities across Victoria (\$15 million to councils and local libraries over four years to 2010-11); and
- Local government is a key partner in the implementation of *Melbourne 2030* and state planning initiatives. New planning structures such as the Development Assessment Committees as well as the Creating Better Places and Expert Assistance programs enable state and local governments to partner in the planning and development of metropolitan activity centres and regional centres. The *Planning and Environment Act 1987* is also being reviewed and opportunities will be provided for key stakeholders, including local governments, to comment on the improvements to the Act's operation.

## **LOCAL GOVERNMENT IN VICTORIA**

The Victorian local government sector spends around \$5.2 billion a year and in 2007-08 (most current Victorian Grants Commission data) comprised around 2 per cent of Victoria's gross state product. Councils deliver vital services to their communities, including community services, local roads, waste management, recreation and cultural activities.

Around 72 per cent of recurrent local government revenue is obtained from rates and charges levied by councils. Around 8 per cent of council recurrent revenue is provided through the Victorian Grants Commission as general revenue assistance and for local roads. Other recurrent Commonwealth and Victorian grants comprise approximately a further 9 per cent of council recurrent revenues. Most State Government funds provided to local governments are used to subsidise libraries, community assets, sporting facilities and other specific services.

The State Government also provides land and payroll tax exemptions to local government, which benefit Victorian councils by more than \$200 million a year (refer to Tables 5.2 and 5.4 in Budget Paper No. 4). Local government also provides some rate exemptions to the State Government.

**Table D.1: Grants and Transfers to Local Government**

(\$ thousand)

	2008-09 Budget	2008-09 Revised	2009-10 Budget
Department of Education and Early Childhood Development <sup>(a)</sup>	50.0	50.0	50.0
Department of Human Services <sup>(b)</sup>	..	..	..
Department of Innovation, Industry and Regional Development	23 485.0	33 779.0	64 457.7
Department of Justice	1 021.0	1 101.0	1 040.0
Country Fire Authority	710.7	726.3	762.6
Department of Planning and Community Development	511 253.8	526 687.6	540 803.5
Department of Premier and Cabinet	6 791.0	10 141.0	8 073.0
Department of Primary Industries	11 457.9	11 383.9	9 364.7
Department of Sustainability and Environment	18 849.8	21 573.8	16 304.6
Parks Victoria	264.0	1 070.8	1 090.5
Catchment Management Authorities	765.0	765.0	765.0
Other Environment Agencies	28.0	28.0	28.0
Department of Transport	9 000.0	8 000.0	10 000.0
Department of Treasury and Finance	6 000.0	3 920.0	6 000.0
<b>Total grants</b>	<b>589 676.2</b>	<b>619 226.3</b>	<b>658 739.6</b>

Source: Department of Treasury and Finance.

## Notes:

- (a) Excludes funds provided to local government under the Maternal and Child Health Care program as these are for service delivery rather than provided as a grant.
- (b) Excludes funds provided to local government under the Home and Community Care program as these are for service delivery rather than provided as a grant.

As shown in Table D.1, total grants and transfers to local government are expected to increase by 11.7 per cent, from \$590 million in the 2008-09 Budget to \$659 million in the 2009-10 Budget. Grants and transfers to local government in 2009-10 are expected to be higher than budgeted, due to additional funds being provided to local government and communities to manage bushfire and drought responses and other initiatives.

The Department of Planning and Community Development (DPCD) provides the majority of funds to assist local government. Most of these funds are Commonwealth financial assistance and road grants that are passed on to local government (around 80 per cent). DPCD also provides grants to local government for sporting and community assets, libraries and planning activities. Grants to local government from DPCD in 2008-09 are expected to be higher than budgeted primarily due to the Victorian Government providing additional funding to local government for bushfire and drought initiatives such as the Community Building Grants for Bushfire Affected Communities and Relief for Community Sport and Recreation program. Additional funding is being provided to local government in the 2009-10 Budget for new initiatives such as the Community Facilities: Supporting Growing Communities and continuation of the Drought Relief for Community Sport and Recreation and Synthetic Surfaces programs.

Payments by the Department of Innovation, Industry and Regional Development to local government are expected to increase from the *2008-09 Budget* allocation of \$23 million to a revised \$34 million due to initiatives for drought response delivered through the Regional Infrastructure Development Fund (RIDF) and the *Victorian Transport Plan*. The variance in grants to local government in 2009-10 from 2008-09 is primarily due to an increase in funding relating to the *Victorian Transport Plan* and an expected increase in funding to local government for projects under the Provincial Victoria Growth Fund and RIDF.

The Department of Transport is to provide an estimated \$10 million in grants to local government in 2009-10 which is largely due to the TravelSmart, Local Area Access and Boating Facilities programs. The variance in grants to local government in 2009-10 from 2008-09 reflects rescheduling of the TravelSmart and Local Area Access grants.

The Department of Justice grants to local government principally take the form of annual subsidies paid to municipal councils for Victoria State Emergency Service units.

Grants and transfers provided by the Department of Primary Industries to local government are expected to decrease to \$9.4 million in 2009-10. This is due to a projected reduction in the subscription of grants for powerline relocation works in 2009-10 compared to 2008-09.

Grants made to local government by the Department of Sustainability and Environment are expected to change from the original \$19 million allocated in the *2008-09 Budget* to a revised \$22 million. This variation is mainly due to increased funding for Environment Protection Authority activities. The variation in grants to local government in 2009-10 is due to reduced funding being provided for the Unbundling of Water Rights initiative.

The Department of Treasury and Finance administers the NDRA, which provides financial assistance to councils affected by natural disasters, such as bushfires, floods and severe storms. This funding is used to reimburse costs incurred by local councils in emergency protection and asset restoration works, such as the clean-up and repair of roads and infrastructure. Actual expenditure fluctuates each year depending on the number and magnitude of natural disasters that have occurred and the funding needs of councils.

In recognition of the unprecedented severity of the 2009 Victorian bushfires, in 2008-09 local councils will receive financial assistance for the standard relief and recovery measures under the NDRA, as well as for other measures approved by the government. Funding is now available to local councils for the establishment and operation of Municipal Emergency Coordination Centres, Relief Centres and Recovery Centres, the provision of direct material assistance to residents, such as food and accommodation and to support those councils who have chosen to waive rates and selected fees and charges.

The Department of Premier and Cabinet, through Arts Victoria, provides funds to local government to contribute to provincial arts centres, theatres and galleries. The increase in payments to local government in 2008-09 reflects the activities of the Victorian Multicultural Commission, which moved to the Department of Premier and Cabinet under a machinery of government change in January 2009. This increase is offset in 2009-10 by a reduction in projected local government funding under the Arts in the Suburbs program.

### **Community Support Fund**

The Government funds a range of initiatives through the Community Support Fund (CSF). Table D.1 does not include all funds provided to local government by the CSF as allocations to local government cannot always be estimated until grant programs are completed.

During 2008-09, CSF approved funding for a number of local governments to undertake community infrastructure and planning projects. Examples from the 2008-09 financial year include:

- funding of \$195 000 to Pyrenees Shire Council as part of a \$695 000 project to redevelop the existing Moonambel Pavilion. This initiative delivers a community hub to meet local needs and will support regional development opportunities for Moonambel and surrounding towns. The redevelopment will incorporate a large multi-purpose space, small meeting room, kitchen, accessible toilets, a community office and storage space;
- funding of \$400 000 to the City of Greater Dandenong as part of a \$878 000 project for a Youth Inclusion Strategy for disadvantaged as well as culturally and linguistically diverse young people;
- funding of \$2.5 million to the City of Whittlesea for the Thomastown Recreation and Aquatic Centre Redevelopment. This initiative will create a 25 metre lap pool, a warm water exercise pool and an enlarged toddlers pool as well as spa and new change room facilities. The redeveloped complex will also feature a new cafe and child care area; and
- funding of \$500 000 to the Manningham City Council for the construction of the new Doncaster Library. This state-of-the-art library facility forms part of the Civic Hill Precinct and will include increased information technology facilities as well as a learning technology hub. The new library will also include activity spaces for reader development and youth programs, and community program space.

## **2009-10 BUDGET INITIATIVES**

This section outlines the key *2009-10 Budget* initiatives by department that will be undertaken in partnership with local government. This section includes initiatives where local government is the recipient of grants and transfers and other initiatives which broadly impact local government. State Government funding details for each of these initiatives are provided in Appendix A of this Budget Paper.

### **Department of Education and Early Childhood Development**

Local governments enter into joint use agreements with schools to contribute to the building of new schools and school facilities (such as libraries and sports facilities) to enable broader use by the community. In addition, many local governments provide or facilitate kindergartens and child care services, so they are involved, not only as planners, but also as providers and facilitators of community based services. The Department of Education and Early Childhood Development *2009-10 Budget* initiatives that affect local government are:

- National Partnership on Early Childhood Education;
- Building the Education Revolution; and
- Meeting Increased Demand for Kindergarten Enrolments.

### **Department of Human Services**

The Department of Human Services partners with local government in a number of areas including Home and Community Care, and assisting in delivering public health services including immunisation programs. The Department of Human Services *2009-10 Budget* initiatives that affect local government are:

- Public Health Governance and Regulation Reform;
- National Partnership: Preventative Health Chronic Disease Prevention in Victoria;
- Community Based Aged Care Services;
- Improving Victoria's Response to Vulnerable Aboriginal Children and Families; and
- Redevelopment of Community Facilities (Building Inclusive Communities).

### **Department of Innovation, Industry and Regional Development**

The Department of Innovation, Industry and Regional Development administers RIDF which has provided significant funding to councils and communities across Victoria. In addition, the Department provides grants, and works with local government in a range of areas including tourism, marketing and industry and business development.

The Department's *2009-10 Budget* initiatives that affect local government are:

- Princes Pier Restoration – Port Melbourne;
- *Victorian Transport Plan*: Local Roads to Markets;
- *Victorian Transport Plan*: Rail Trails and Cycling Paths; and
- *Victorian Transport Plan*: Upgrading Regional Airports.

### **Department of Justice**

The Department of Justice works with local government in a range of ways such as providing funding to local government for volunteer units of the Victoria State Emergency Service, partnering to deliver the Dispute Settlement Centre of Victoria, and supporting the Department's Victims Assistance and Counselling program. In addition, Victoria Police work with local government on a range of programs, such as the Neighbourhood Justice Centre with the City of Yarra. Consumer Affairs Victoria coordinates the delivery of some of its programs with local government.

The Department of Justice *2009-10 Budget* initiatives that affect local government are:

- Continuation of Neighbourhood Justice Centre;
- Graffiti Prevention and Removal Strategy; and
- Victorian State Emergency Services Volunteer Unit Operating Costs.

### **Department of Planning and Community Development**

The Department of Planning and Community Development provides a range of grants to local government for libraries, sporting and community assets and provides support for planning. The Department operates programs across Victoria and provides in kind and collaborative support to these programs. The Department of Planning and Community Development *2009-10 Budget* initiatives that affect local government are:

- Adult, Community and Further Education Building Maintenance program;
- Community Renewal: (Extension from three to six years);
- Development Assessment Committees;
- Community Facilities: Supporting Growing Communities;
- Creating Better Places and Expert Assistance programs;
- Volunteering-Active and Engaged Young People and Communities;
- Extension of Coordination Hours for Neighbourhood Houses;
- Men's Sheds;
- State-wide Electronic Planning Applications Online;
- Improvement of Soccer Facilities; and
- Country Football and Netball Program.

## **Department of Sustainability and Environment**

Many of the Department of Sustainability and Environment's programs are jointly managed and delivered by local government. In addition, the Department provides a range of materials and information to help assist local government in undertaking its responsibilities, for example, building environmental sustainability through Victoria's Environmental Sustainability Framework.

## **Department of Transport**

The Department of Transport as the provider of essential public transport, roads and ports infrastructure in Victoria, works closely with local government to deliver the broad range of infrastructure initiatives that benefit Victorian communities. Local government contributes to the Department's activities by receiving funding, delivering projects, providing in kind support and consulting with the State. The Department of Transport *2009-10 Budget* initiatives that affect local government are:

- Cycling Package;
- Public Bicycle Hire Scheme; and
- Taxi Rank Safety.

## **Government-wide Initiatives**

There are a range of *2009-10 Budget* initiatives which transcend departmental boundaries, and are managed on a government-wide basis and affect local government:

- 2009 Victorian Bushfire Response and Recovery;
- Drought Response;
- National Partnership on Indigenous Early Childhood Development; and
- Creating Liveable Neighbourhoods and Communities.