

Discussion Document

Rural and Regional Victoria - a challenge for the State Government

Local governments working together with their communities to ensure adequate resourcing and equity of service delivery.

A review prepared for the



Victorian Local Government Association (VLGA)
by

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The basis for viable Local Governments in rural and regional Victoria requires increased community participation in a level of democratic governance that must be adequately resourced to ensure equalisation of service delivery.

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Rural and Regional Local Governments: Implications for Rural and Regional Victoria

Executive Summary and Key Recommendations

The Victorian Local Governance Association (VLGA) commissioned the Centre for Sustainable Regional Communities (CSRC) of La Trobe University to develop this document, for the purposes of creating a greater awareness of:

- the requirements, and differences between the requirements and expectations of rural and regional communities;
- the degree of inter-relationship and inter-dependence between rural and regional communities;
- the opportunities to address and redress the problems facing rural and regional communities through appropriate empowerment and resourcing of Local Governments.

This document is a review of some critical issues facing Local Governments in rural and regional areas, and is the result of wide-ranging consultation.

Key recommendations

- An appropriate Constitutional framework for Local Governance needs to be developed to recognise the increasing responsibilities of Local Governments as an integral arm of democratic governance.
- Local Governments need to be adequately resourced to fulfil their responsibilities. Horizontal equalisation, particularly of infrastructure and services, across Local Governments should be actively developed within Best Value principles.
- All funding criteria for regional and rural Local Governments must demonstrate that meaningful collaboration with community interests has occurred, and that longer-term benefits will flow across the community. The issue of equitable infrastructure and delivery of services must be addressed.
- The community leadership role of Local Governments need to be enhanced and recognised, democratically and spatially.
- In the establishment of the Boards and Networks (health, catchment, water, economic development etc.), the role of Local Governments as a democratically representative level of governance needs to be recognised in terms of its status, dedicated representative positions and responsibilities.
- The development of innovative models of service delivery needs to be supported under 'best practice' models, which then should be framed within sustainable partnerships and integrated, participative planning frameworks.
- Local Governments should lead in the development and implementation of integrated planning models, with processes devised under the 'best practice' frameworks, for resource allocations, based on need, locality and horizontal equalisation across Local Governments. These processes should take special account of differences in capacity and resources in regions, existing infrastructure (both physical and social), and be developed on an equitable basis.
- Training and support for Councillors needs to be funded.
- Regional economic and natural resource management strategies, which adequately assess the sustainable value of new initiatives, should be developed.

Purpose and Approach

Purpose

The Victorian Local Governance Association (VLGA) commissioned this document, for the purposes of creating a greater awareness of:

- the requirements and expectations of rural and regional communities;
- the differences between the requirements and expectations of rural and regional communities;
- the degree of inter-relationship and inter-dependence between rural and regional communities;
- the opportunities to address and redress the problems facing rural and regional communities through appropriate empowerment and resourcing of Local Governments.

Approach

This document is a review of some critical issues facing Local Governments in rural and regional areas, and is the result of wide-ranging consultation with:

- Local Governments (elected members and officers) in rural, regional, mixed and metropolitan areas;
- community members;
- key experts in identified fields;
- document and literature searches;
- papers commissioned from a number of academic specialists at the Centre for Sustainable Regional Communities (CSRC), La Trobe University.

A number of workshops were held to discuss the documents orientation and recommendations and the authors draw together these outcomes.

Background to Recommendations

- An appropriate Constitutional framework for Local Governance needs to be developed to recognise the increasing responsibilities of Local Governments as an integral arm of democratic governance.
- Local Governments need to be adequately resourced to fulfil their responsibilities. As such, in most of the identified areas included in this review, Local Governments in rural and regional areas has not generally had the capacity to meet the financial and other costs associated with meeting these increasing demands and legitimate responsibilities.
- The community leadership role of Local Governments need to be enhanced and recognised, democratically and spatially.
- In the establishment of the Boards and Networks (health, catchment, water, economic development etc.), the role of Local Governments as a democratically representative level

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of governance needs to be recognised in terms of its status, dedicated representative positions and responsibilities.

- The development of innovative models of service delivery need to be supported under 'best practice' models, which need to be framed within sustainable partnerships and integrated, participative planning frameworks.
- Local Governments should lead in the development and implementation of integrated planning models, with processes devised under the 'best practice' frameworks, for resource allocations, based on need, locality and horizontal equalisation across Local Governments. These processes should take special account of differences in capacity and resources in regions, existing infrastructure (both physical and social), and be developed on an equitable basis.
- Training and support for Councillors needs to be funded. With the increased governance responsibility of Local Governments, due in part to recent amalgamations, as well as pressures due to these increased responsibilities and statutory demands for greater input at the policy level, Councillors face even greater challenges.
- Regional economic and natural resource management strategies, which adequately assess the real and sustainable value of new initiatives, should be developed. These assessments should take account of the relationships between the social, the ecological and the economic – without the short-term economic gains dominating decisions.
- All funding criteria for regional and rural Local Governments must demonstrate that real collaboration with community interests has occurred, and that longer-term benefits will flow across the community. The issue of equitable infrastructure and delivery of services must be addressed.

Context Statement

Rural and regional Australia has been struggling with the consequences of rapid change emanating from globalisation, the digital revolution, the importance of knowledge-based regions, and the networked economy (State of the Region 1999, National Economics). Government policies on competition, telecommunications, privatisation, the withdrawal of social services, and policy responses to the environmental crises have aggravated current circumstances.

While government policies are intended to restructure society in readiness for the changed global conditions, the rate and style of change is causing considerable stress and anxiety, particularly among the smaller more vulnerable rural communities. As evidenced by the recent State election results, rural and regional communities have state that their expectations are not being met. Governments and politicians must recognise the strong rejection of what has been considered to be an unreasonable emphasis on metropolitan Melbourne in the context, for example, of major project expenditure in Melbourne, while basic services and infrastructure are deteriorating in the rest of the State.

State Government initiatives aimed at addressing this apparent bias towards Metropolitan Victoria, must however, be based on an understanding of the differing needs of rural and regional communities, and the way in which they interact. It is inappropriate to consider the

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development needs of rural Victoria solely in terms of the major regional centres. Development of these centres, in the absence of an integrated strategy which recognises the inter-relationships between rural, regional and metropolitan communities, will result in undesirable outcomes for many of Victoria's rural and regional communities. While there are many identifiable key rural issues, many matters adversely impacting on rural communities are having a similar or compounding effect on regional centres. The long-term outcomes associated with this interdependence needs to be understood.

A revision of Local Government focus and funding is needed to assist communities, and the wider regions, to help themselves rebuild and embrace change. The 'will' to rebuild and develop is strong within many rural and regional communities, and this position paper is an attempt to highlight some key issues to redress an inequitable situation, and avoid an acceleration of economic and social downturn. Government initiatives and funding structures need to be enabling and supportive of the process.

The role of Local Governments is going through dramatic change. Leadership needs to be shown in a vast array of areas including telecommunications, health and community services, risk and liability, and a growing number of issues concerning land management. A revision of Local Governments' resourcing is required to consolidate the important leadership and enabling role of Local Governments in developing integrated planning and implementation at community level to suitable standards of quality.

The imperative is to maintain a society capable of adapting to the substantial pressures of change in a manner that gives them charge of the process.

What is Rural and Regional?

The difficulty of providing any definitive statement about the distinction between what is a rural community versus what is a regional community is far from insignificant. Community boundaries are developed in a myriad of ways depending on the purpose. For example, the administrative boundary of Local Government areas will be different from the catchment boundaries defined by Catchment Management Authorities, which will be different again from the way in which communities of interest will define themselves. Nonetheless, the issue does need to be given attention due to the fact that reference to rural and regional is now commonplace.

Rural and regional Local Governments differ in population, land area, budgets, distance from major centres, influence and political representation. In the context of this document, there appear to be four types of communities. Those which are considered:

- **major regional centres**, with growing populations, and which are responsible for the governance of several smaller communities separated by relatively small geographical locations, as part of a common Local Government area;
- **rural Local Governments** which comprise a number of small communities in a large rural area, and which are responsible for the governance of several communities separated by large geographical distance, as part of a common Local Government area,
- Local Governments with one or more **larger towns and significant rural areas**; and
- **communities** with a population of less than 1000, which do not host a municipal office.

Issues for Local Governments

There are eight major areas of Local Governments' responsibility that were identified, for the purposes of this paper, that require specific consideration in terms of structural change and appropriate resourcing. These issues were identified through a consultative process:

- Health and community wellbeing;
- Infrastructure (including roads and other assets);
- Natural resource management;
- Economic development;
- Telecommunications;
- Transport;
- Risk and liability.

Summary of Recommendations

Health and Community Wellbeing - Recommendations

The role of Local Governments in developing and implementing integrated community health plans must be actively supported by State Government. State Government should, in consultation and partnership with Local Governments:

- support and resource Local Governments to become mediating structures that support and enable the development of social capital and healthy public policies at local level.
- support Local Governments' community leadership role to work with all stakeholders in firstly, developing a vision for primary health and community care and secondly, facilitating ongoing participation and agency coordination.
- develop new initiatives within a Public Health framework in response to the issues raised in the development of community health plans to enable a balance to be achieved between these issues and those identified at national and state level.
- provide skills (professional support and training) and resources to Local Governments for development and implementation of integrated community health plans.

Infrastructure - Recommendations

State Government should, in consultation and partnership with Local Governments:

- develop criteria for assessing and resourcing infrastructure development to ensure horizontal equalisation of infrastructure resources across all Local Governments.
- develop standards for acceptable infrastructure levels for all Victorians, and ensure horizontal equalisation of infrastructure resources (economic and social).
- increase (and lobby to extend) Local Governments' access, specifically, to road funding through:
 - user contributions - in particular the fuel excise;
 - additional funding from private-sector, government and government borrowing.
- increase (and lobby to extend) Commonwealth and State contributions to local road funding.
- ensure that the Regional Infrastructure Development Fund (RIDF) resources strategic investment in a regionally coordinated manner that contributes to social and economic development, and ensures horizontal equalisation across Local Governments' areas.
- increase heavy vehicle registration fees.
- borrow in order to resource strategic development of infrastructure in regional and rural areas.

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- investigate the role of community foundations in the development of infrastructure in regional centres.
- resource Local Governments' / private-sector infrastructure development projects in rural Local Government areas.
- develop a rural and regional roads database.
- conduct an audit of regional and rural roads.
- ensure streamlined regional planning by stakeholders to maximise economic and social returns on infrastructure development.

Natural Resources Management - Recommendations

State Government should, in consultation and partnership with Local Governments

- enable and ensure integration and coordination between Local Governments and other sector stakeholders.
- provide appropriate resourcing, with additional resourcing for rural Local Governments with proportionally large land areas and road networks, for specified Local Governments land-use management responsibilities.
- recognise the political representative role of Local Governments, alongside that of State Government, in the provision of leadership to regional natural resource management programs.
- support the development of integrated and community-based natural resource planning models.
- support and resource the development of programs and standards for regional waste-recycling initiatives.
- ensure the secure supply of clean water.

Economic Development - Recommendations

State Government should, in consultation and partnership with Local Governments:

- enable and support integrated regional economic development that develops value-adding networks and import/export clusters across Local Governments.
- support economic development initiatives that have well-defined relationships between the social, ecological, economic and demographic trends.
- develop and implement a whole-of-government approach to supporting and enabling integrated economic development .

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- ensure that the current Victorian Grants Commission allocations criteria review priorities and develops methodology to ensure horizontal equalisation across in all Local Governments.

Telecommunications - Recommendations

To enable Local Governments to take a leadership role in the development of telecommunications, State Government should, in consultation and partnership with Local Governments:

- suitably gear the State Government's Regional Infrastructure Development Fund (RIDF) and Connecting Victoria Strategy to resource ICT infrastructure upgrades that realise the competitive advantage of rural and regional communities and contribute to horizontal equalisation of ICT infrastructure across Local Government areas.
- deliberately specify support for initiatives that build, attract or retain ICT workers in rural and regional Victoria.
- suitably gear the Victorian E-commerce Early Movers assistance scheme (VEEM) to specifically support regional and rural Local Governments and ensure that there is integration between the delivery of this program and RIDF / NTN infrastructure programs.
- provide resources and integrated leadership across all State Departments to enable rural and regional communities to better identify and prioritise their telecommunication needs to optimise outcomes and access suitable resources.
- provide resources to enable rural and regional communities to better articulate their needs, thereby improving their chances of securing Federal and State funding for important projects.
- boost e-commerce through partnerships with industry, government and educational institutions to develop business plans and provide suitable infrastructure.
- support de-regulation of access links.
- directly, and in partnership with other State Governments, pressure and lobby Telstra to reduce the cost of access and maintain equitable quality of service (particularly of bulk or broadband services) and eliminate all cost, support and quality disadvantages to people living in rural and regional areas.
- directly, and in partnership with other State Governments, pressure and lobby the Commonwealth Government to fund alternative communications solutions for rural and regional Australia.
- develop partnerships with Local Government, communities and industry to develop affordable quality telecommunications solutions that meet community needs.
- Extend, and lobby the Commonwealth Government to extend, subsidies of telecommunications needs of rural and regional Local Government areas.

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- continue the initiatives to develop online electronic delivery of its services, and work with Local Governments to provide integrated delivery of all government services.
- develop across-government and inter-department integration in the development of community centres with online access for all.

Youth Services - Recommendations

State Government should, in consultation and partnership with Local Governments:

- develop Peak Body structures at State and regional levels that incorporate the youth in advising on their own futures and developing youth strategies driven by young people themselves.
- develop whole-of-government approaches that do not to exclusively focus on the perceived negatives – and build on the positives which might include: – safety and freedom that non-metropolitan centres offer young people.
- develop the potential for regional education centres to be developed with good quality schools and the increased focus of regional universities for better pastoral care and whole-of-life opportunities, specialist courses which will encourage the renewal of skills in regional areas.
- support Local Governments' strategies that develop population renewal and decentralisation.
- develop whole-of-government approaches to the provision of infrastructure and telecommunications resources, that consider the specific social and educational needs of youth and ensure horizontal equalisation of these services across Local Government areas.

Best Value - Recommendations

State Government should:

- recognise Local Governments as a legitimate level of democratic representation that should be adequately resourced and supported in the context of Best Value principles.
- assist Local Governments develop and resource models for sustainable community participation (as opposed to consultation) in the development of Local Governments' strategic plans and best value benchmarks.
- ensure that, despite local development of benchmarks, there is horizontal equalisation of quality of service-delivery across all Local Governments in Victoria.
- develop mechanisms of measuring Local Governments' delivery against community developed benchmarks.

Goods and Services Tax - Recommendations

State Government should, in consultation and partnership with Local Governments:

- ensure the maintenance of equitable local services across all Local Governments.
- develop (and lobby the Commonwealth to develop) a proper basis of financial assistance grants to Local Governments (on the basis of horizontal equalisation). The principle of compensating Local Governments from a pool for differences in revenue capacity and service provision costs is the basis for viable Local Governments in Australia's regions.
- ensure that Local Governments' services be zero-rated under any broad-based indirect tax that may be introduced.
- be able to cease a growing reliance on property-based taxes on Local Governments.

Risk Management - Recommendations

State Government should, in consultation and partnership with Local Governments:

- support the development of a sustainable risk-management policy and strategy across all Local Governments, and resource its implementation.

Other Considerations

Several other related major issues, spanning all aspects of Local Governments' activities, are identified, and these are noted in no particular order of importance:

- the need for Local Governments to take a leadership role across all issues, because of its legislated responsibilities, local democratic legitimacy, and its ability to facilitate collaboration between sectoral stakeholders in community and service planning.
- Local Governments recognises its increasing and changing responsibilities, in a context of increased community diversity (locality and interest) and expectations.
- the need for integrated service planning for enhanced service provision, facilities, and skills development - given the rationalisation process which is not likely to be significantly reversed.
- the benefits and costs of amalgamation recognised: Including an appreciation of the power of larger centres over the smaller towns within and between Local Government areas, and the effect that this has had on natural affinities and communities of interest and similarity.
- the impact of compulsory competitive tendering – a reduction of costs of up to twenty per cent, with a rate cut then to follow at twenty-five per cent. The overall outcome is not positive.

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- the range of skills and resources within Local Governments affecting the ability to effectively attract state and federal funding and private sector investment.

In addition, the issue of public transport is not considered within the scope of this document as a separate issue. Public transport affects and is affected by community wellbeing, economic development and infrastructure issues, and is considered for the purposes of the review as integrated in these.

Conclusion

It is commonly understood that there are significant problems facing rural and regional Victoria, and expectations are not being met on a range of levels. In addition, there is a will in rural and regional communities to be proactive and respond to these challenges with suitable and realistic assistance from other tiers of Government and / or in partnership. State Government has an important role, and currently a unique opportunity, to work in partnership with Local Governments to actively redress the current inequalities in a manner that ensures horizontal equalisation across Local Governments in a manner that ensures equitable levels of service and infrastructure provision.

Local Governments form the most appropriate tier of Government to redress what is currently an untenable position for rural and regional Victoria.

The outcomes recommended in this document are summarised as: -

- an appropriate Constitutional framework for Local Governance must be developed as part of a commitment to community participation in restoring democracy, and as part of a recognition of the increasing responsibilities of Local Governments as an integral arm of democratic governance.
- community-based and integrated planning models need to be developed, and Local Governments should be supported to lead in the development and implementation of, with processes devised under the 'best practice' frameworks, for resource allocations, based on need, locality and horizontal equalisation across Local Governments.
- all funding criteria for regional and rural Local Governments must demonstrate that real collaboration with community interests has occurred, and that longer-term benefits will flow across the community. Best Value principles need to be entrenched. The issue of equitable infrastructure and delivery of services must be addressed.
- Local Governments need to be adequately resourced to fulfil their responsibilities. Resources need to be allocated to ensure horizontal equalisation across all Local Governments.
- Local Governments need to be recognised in the establishment of the Boards and Networks (health, catchment, water, economic development etc.)
- Training and support for Councillors needs to be funded.
- Regional economic and natural resource management strategies, which adequately assess the real and sustainable value of new initiatives, should be developed.

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- The current context demands regional development strategies, focussing on markets which adequately assess the real value of new initiatives in terms of the relationships between social, ecological and economic issues.

This review has highlighted various issues facing Local Governments of increased community participation in a level of democratic governance that needs to be adequately resourced to ensure equalisation of service delivery. The principle of compensating Local Governments for differences in revenue capacity and service provision costs is the basis for viable Local Governments in Australia's regions.

APPENDIX 1

Key Sector Issues

Health and Community Wellbeing

Glenda Verrinder

"Many would be surprised to learn that the greatest contribution to the health of the nation over the past 150 years was made, not by doctors or hospitals, but by local government" [Parfitt 1987 cited by Davies and Kelly 1993 in Verrinder 1998 p.8].

The health status of people living in rural and remote areas is, by urban standards, poor. The image of living a healthy life in the country does not match the reality. When we measure how long we live and how well we live in Australia, we find that living and working in rural areas is in itself a health hazard.

Public health planning at the local level is considered important along with state and national planning. By virtue of their geographical proximity, Local Governments are in the ideal position to co-ordinate community planning processes. A large number of policies that affect the physical and social environment are made at the local level. Responsibility for social issues includes recreation, cultural and community services, business development, tourism and service regulation. Responsibility for the physical environment includes land use planning, building control, water quality, air quality, food safety and waste management. All policy decisions made in these areas may have a profound effect of the health status of the community [Verrinder 1998].

The determinants of disease are wide ranging. There are well-known risk conditions such as low socio-economic status, dangerous and stressful work, and dangerous and harsh environments. There are psychosocial risk factors such as isolation, lack of social support, loss of meaning and purpose and low perceived power. There are behavioural risk factors that include smoking, physical inactivity and substance abuses, and there are physiological risk factors such as the release of stress hormones [Labonte 1997]. People living in rural and remote areas are experiencing these risks now [Commonwealth of Australia 1999]. Furthermore, geographical isolation, sparse infrastructure and pernicious economic and social policies of successive governments have added to the burden of disease of rural citizens. The results of these policies have altered the social fabric of rural Australia. The *capacity* of individuals, families and communities has been shaken to such an extent that rural citizens can no longer feel confident about their worth in Australian society. This has had, and will continue to have, a detrimental impact on their health status.

To improve the health status of the population, health-promoting conditions such as ecosystem viability, economic sufficiency, equitable public policies, convivial communities, sustainable development and creating livable towns are fundamental. The mediating structures required for these fundamental conditions include public institutions that support social capital and healthy public policies, for example, town planning that promotes healthy environments [Labonte 1997]. In addition, reorientation of the health system to a system that provides a *balance* of health promotion, illness prevention and an accessible source of illness treatment is needed.

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Outcomes that emerged at the Regional Australia Summit held in October 1999 included strong support for governments accepting responsibility for facilitating adequate provision and maintenance of basic infrastructure. The recommendations stated that people in all sectors of regional Australia needed equitable access to essential services, including telecommunications, power and energy, water, transport, health and education [Regional Summit Communique 1999].

Improving the health status of rural citizens can not depend on the health sector alone. In Australia, the Human Rights and Equal Opportunity Commission conducted a nation-wide community consultation in 1998/9. The report from this consultation, *Bush Talks* [Commonwealth of Australia 1999] provides important information from those living and working in rural and remote areas. The issues causing significant concern include issues around health services, education, employment, housing, water, transport, and telecommunications. However, the Commission found that inadequate, inaccessible and diminishing health services emerged as the principle concern of participants throughout the consultations.

Bush Talks cites the International Covenant on Economic, Social and Cultural Rights article 12 which states “The States Parties to the present Covenant recognise the right of everyone to the enjoyment of the highest attainable standard of physical and mental health” [in Commonwealth of Australia 1999 p.3]. According to the report, regionalisation of health services is having a detrimental effect on service delivery in small towns. Common problems were identified across the country. For example, the level of expenditure per available hospital bed declines sharply with increasing rurality for both public and private hospitals [Australian Institute of Health and Welfare, 1998 in Commonwealth of Australia 1999]. There are fewer aged care services, mental health services, dental services and importantly, a shortage of primary care practitioners such as aboriginal health workers, medical practitioners, nurses, allied health practitioners, health promotion and community development workers.

Unfortunately for rural citizens the conversation, at least amongst politicians and the media, surrounding the provision of health services in rural and remote areas has been “...heavily politicised and dominated by the discourse of curative services... [and] any coherent vision for the health and social futures of non-urban Australia is obscured” [Keleher 1999 p.342]. Powerful interest groups have successfully reduced the health service debate to doctor shortages and hospital closures. History has repeatedly shown the importance of the recognition of the socio-economic determinants of health and the importance of government intervention in improving the health status of populations, in particular its role in redistributing the benefits of economic growth, but also the need for intersectoral collaboration.

Fortunately, outcomes from the health forum at the Summit urged the recognition of the socio-economic determinants of health and the specific health needs of rural and remote citizens. Empowering communities and developing partnerships which change the dominant “metropolitan-focused mindset”, overcoming barriers to access, ensuring equitable resource allocation and enabling appropriate workforce supply and service models was considered to be the way forward. Furthermore, the Summit Communique proposed that the three tiers of governments remove unnecessary regulatory impediments that increase the cost of doing business [Regional Summit Communique 1999].

Szreter [1995] has given detailed description of how growing municipal activity and civic pride are essential components of an improvement in health status [in Baum 1998]. Local

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Governments in Australia have been involved in providing public health services since 1854. The first services provided by Local Government demonstrated the concern for the physical environment that was initially to address "... insanitary conditions...". Garbage collection, the provision and maintenance of drains and sewers, building control and the suppression of nuisances soon followed road and bridge construction and maintenance on private property.

With the exception of areas concerning international agreements such as *Agenda 21*, legislation concerning Local Government responsibilities falls within the jurisdiction of the states. In 1985 a review of Victorian health legislation recognised that there was a role for Local Government in public health planning and that Local Governments needed to determine their own priorities in the response to the needs of residents. It may be that the review of health legislation in Victoria was influenced by the concept of the New Public Health and that this led to the incorporation of sections 29A and 29B of the *Health [General Amendment] Act 1988* that prescribed the development of Municipal Public Health Plans. The Act outlines the function of the councils which states in part that Local Governments are to "... seek to prevent diseases, prolong life and promote health through organised programs [Department of Health and Community Services 1993 in Verrinder 1998 p.11].

In Victoria, an evaluation of the pilot Municipal Public Health Plans identified a number of benefits from the process which included improved communication and better working relationships between councils, council departments, other agencies and the community; and the development of new initiatives within a Public Health framework in response to the issues raised in the development of the plans. The evaluation also identified a number of problems, such as limited skills and resources, the need to balance those issues identified locally, with those identified at a national and state level and difficulties relating to the changing role of Local Government in this area. The greatest problem was that following the development of the plan, one-third of the Local Governments had not allocated any resources for implementation [Verrinder 1998].

State legislation outlines Local Government responsibilities in the area of the public's health. However, it is not accompanied by agreements for funding the activities, and whilst Local Government responsibilities for the public's health has expanded, health expenditure still only accounts for a very small amount of the total expenditure [Smith 1995 in Verrinder 1998].

"Optimising human, social, ecological and natural capital at the local level is ultimately what the healthy community is all about" [Hancock 1997 in Verrinder 1998]. The concept of a healthy community and the tradition of public health and health promotion, in which it is embedded, will be adapted by different communities in different ways at different times. However, there is clear evidence that a comprehensive approach to health development is the most effective. The key concepts that need to be considered include intersectoral partnerships; Local Government involvement; community involvement and sustainable communities [Verrinder 1998].

Local Government's community leadership role means it is well placed to work with all stakeholders in firstly, developing a vision for primary health and community care and secondly, facilitating ongoing participation and agency coordination.

Since the first evaluation of Municipal Public Health Plans, a number of good practice examples have been identified [Verrinder G 1998; McBride T & Hulme A 1999]. Municipal Public Health Plans or community health plans need to be both a process and a product. The process needs to facilitate the development of partnerships between the various stakeholders to identify and address public health issues in their community. The product needs to be a

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dynamic strategic planning document that guides public health planning, action and evaluation processes. The benefits include more effective and efficient use of resources [Verrinder 1998]. Most importantly, if Local Government are going to provide a leadership role, then adequate resources with funding and personnel with appropriate knowledge and skills in public health planning is required to conduct the process and develop the product.

Recommendations:

The role of Local Governments in developing and implementing integrated community health plans must be actively supported by State Government. State Government should, in consultation and partnership with Local Governments:

- support and resource Local Governments to become mediating structures that support and enable the development of social capital and healthy public policies at local level.
- support Local Governments' community leadership role to work with all stakeholders in firstly, developing a vision for primary health and community care and secondly, facilitating ongoing participation and agency coordination.
- develop new initiatives within a Public Health framework in response to the issues raised in the development of community health plans to enable a balance to be achieved between these issues and those identified at national and state level.
- provide skills (professional support and training) and resources to Local Government for development and implementation of integrated community health plans.

Infrastructure

David Ensor

The maintenance and improvement of rural infrastructure, such as roads, bridges, public transport infrastructure cannot be effectively accommodated by Local Government under current funding arrangements.

Roads and bridges are perhaps the most important aspects of infrastructure affecting the economic development and social wellbeing of rural Victoria. Social infrastructure development and maintenance is also an issue. Roads are focused on because of a current resourcing crisis and this is not intended to diminish the importance of other infrastructure needs.

All three levels of government share the responsibility for roads. State Government constructs and maintains the arterial networks, while Local Governments have responsibility for local roads - estimated to be 80 per cent, by length, of Australia's roads. Of the \$2.3 billion spent by Local Governments on roads each year, the Commonwealth provides \$380million.

The Commonwealth Government resources Local Governments for roads through untied grants - this will continue under the new income tax arrangements.

There is a clear connection between targeted infrastructure development, for example in roads, and economic development.

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The AAA has shown:

- a significant positive relationship between investment in roads and other infrastructure and private sector output.
- a one per cent increase in investment in road infrastructure will result in an increase of private sector output of 0.27 per cent.
- an additional \$1 billion invested in roads would result in a long-term annual increase in GDP of \$810million for urban arterials to \$270million for rural arterials and \$110 million for local roads. The economic stimulation will result in 2 400 jobs for local roads and 19 000 jobs for urban arterials.
- the returns from roads investment is higher than investments in other types of economic and social infrastructure.

Roads and bridges need to be upgraded in collaboration across Local Governments.

Two thirds of fatal accidents happen outside of urban areas.

The majority of regional and rural Local Governments are incapable of maintaining roads for which they are responsible. Most are not adequately funding the requirements for renewing their road infrastructure. For example, Delatite Shire Local Governments was only able to fund 30 per cent of its requirements for roads and 20 per cent for bridges. Strathbogie can only fund 51 per cent of its requirements.

While funding is the significant problem, appropriate management skills and systems, and the use of the cost effective road-building techniques are important issues.

Changing industries - (grazing to forestry, agribusiness manufacturing in regional areas), and the reduced diesel fuel excise, will place a huge burden on the regional road network.

A number of factors inhibit rural and regional Local Government's capacity to raise additional funds for social and economic infrastructure resourcing, including the inability to meet required rates of return required by private-sector partners. Rate capping has been a contributory factor.

Recommendations

State Government should, in consultation and partnership with Local Governments:

- develop criteria for assessing and resourcing infrastructure development to ensure horizontal equalisation of infrastructure resources across all Local Governments.
- develop standards for acceptable infrastructure levels for all Victorians, and ensure horizontal equalisation of infrastructure resources (economic and social).
- increase (and lobby to extend) Local Governments' access, specifically, to road funding through:
 - user contributions - in particular the fuel excise;
 - additional funding from private-sector, government and government borrowing.
- increase (and lobby to extend) Commonwealth and State contributions to local road funding.

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- ensure that the Regional Infrastructure Development Fund (RIDF) resources strategic investment in a regionally coordinated manner that contributes to social and economic development, and ensures horizontal equalisation across Local Governments' areas.
- increase heavy vehicle registration fees.
- borrow in order to resource strategic development of infrastructure in regional and rural areas.
- investigate the role of community foundations in the development of infrastructure in regional centres.
- resource Local Governments' / private-sector infrastructure development projects in rural Local Government areas.
- develop a rural and regional roads database.
- conduct an audit of regional and rural roads.
- ensure streamlined regional planning by stakeholders to maximise economic and social returns on infrastructure development.

Natural Resource Management

Deidre Slattery

State Government has primary responsibility for land management in Victoria, although Local Government also has a wide range of roles and responsibilities. In fact it has been suggested that Local Government is the most significant sphere of government in regulating land-use (Binning, Young & Cripps, 1999:1). Certainly the fact that Local Government has responsibilities and powers on both public and private land is most important for integrating activities across the whole landscape. (Meredith, 1998)

Core Local Government Responsibilities

- Land Use Planning: the development and implementation of detailed land use plans that regulate development by defining land use zones.
- Native Vegetation Retention Controls (1991) - aimed at reducing the extent of clearing of native vegetation on private land.
- Managing Crown lands, either as Committees of Management in the case of Crown Land Reserves or as unofficial custodians for small parcels of unreserved crown land.
- Managing environmental risks such as flooding and fire.
- Managing Shire roads and roadside vegetation, native or otherwise.

While Local Government has the responsibility for many aspects of land management, aspects of this is not resourced and there are a number of other agencies operating within the sector. The issues here concern who should provide leadership, and what is the best way to coordinate the effort such that the benefits accrue to improved land management.

Local Government is the level of democratic representation with designated responsibilities for land management as specified above, yet it has no adequate formal leadership and political role in the direction of regional agencies operating at local level.

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Some key management issues for Local Government:

- **Bigger area, smaller budget** - Often, the larger the area managed by any LOCAL GOVERNMENT, the smaller the rate base.
- **Traditional roles** - The lack of any officer with specific expertise and responsibility for environmental matters means that when such matters need to be dealt with, the training and focus of officers in traditional roles does not equip them well to consider the environmental implications of their decisions.
- **Costs and time restraints** - Monitoring and enforcement by Local Government of the Native Vegetation Retention Controls is a costly and time-consuming activity, and generally appears to be poorly performed, if at all.
- **Change and rural communities** – The aging and declining populations of many rural areas not only cuts into the rate base but also diminishes the supply of people and energy. Relevant skills and new perspectives on environmental protection may be lacking.
- **Access to Information** - Lack of ease of access to land management and biodiversity data is more significant for officers in rural Local Government areas. They lack the technology to access information held at increasingly centralised DNRE offices, data on the complex layers of information about the significance of areas of native vegetation and habitat.

Means available to Local Government in land management

Means that could be taken (and are being taken in some cases) by Local Government in relation to land management:

- **Planning:** assessment of natural assets before new developments are planned.
- **Incentives:** rate relief or rebates for various measures such as soil erosion works, revegetation of high recharge areas, or weed eradication.
- **Community education:** raising awareness and appreciation or protection of local flora, salinity, environmental weeds, wetlands.
- **Local Laws:** laws to raise public awareness and/or remove threats from domestic animals and plants to wildlife or streamsides.
- **Establish an environment committee:** (but needs a lead player and expertise on staff).
- **Conservation Officers:** are part of the expertise of many Local Government bodies (needs funds).
- **Roadsides Management Plans:** may be developed (with a lot of expert work), but need to be supported by training and supervision.
- **Training/education** : of workers re the values they have the power to affect, place and techniques (eg. vehicle hygiene).

Recommendations

State Government should, in consultation and partnership with Local Governments:

- enable and ensure integration and coordination between Local Governments and other sector stakeholders.
- provide appropriate resourcing, with additional resourcing for rural Local Governments with proportionally large land areas and road networks, for specified Local Governments land-use management responsibilities.
- recognise the political representative role of Local Government, alongside that of State Government, in the provision of leadership to regional natural resource management programs.
- support the development of integrated and community-based natural resource planning models.

- support and resource the development of programs and standards for regional waste-recycling initiatives.
- ensure the secure supply of clean water.

Economic Development

Quamrul Alam

Population growth in most of the rural Local Government areas is not growing. The costs of providing services in many of those towns are high because of population size, socio-economic status, and remoteness. This is contrasted by a shrinking revenue-base. The amalgamation of Local Governments and the resultant rate-capping have reduced revenue earnings. Cuts in spending by the Federal and the State Governments put extra pressure on the Local Governments, specially the rural Local Governments, to fund expenditures. The levels of needs have expanded, but the amount of resources available to fund these new needs is far less than what is required (MAV, 1999).

Rural Local Governments face challenges in maintaining their infrastructure as they have a much older infrastructure base, not designed for heavy traffic loads. Smaller Local Governments have to spend more money per head than the metropolitan Local Governments (ABS Local Government Finance, Victoria 1997-98). The costs for small rural Local Governments are high because of the extent of their rural road network.

In the farming areas the value-adding processes have shifted from on-farm and near-farm to regional centres, metropolitan areas and overseas. Technological changes and substitution of capital for labour are mainly responsible. The aims to gain benefits from economies of scale and efficiency were other reasons (Stayner, 1999).

The average size of farms is increasing. But the size of families is reducing. This has reduced the demand for local off-farm services. (The dairy industry has experienced a significant change in this regard). The drop in farm incomes is severely affecting the local economy. The situation is getting worse because of the influence of negative income multipliers, with reduced levels of income and local business closures (HOR Committee, 1999).

To try to deliver equitable Local Government services, rural Local Governments have to charge higher rates than the metropolitan Local Governments both in terms of cents in a Dollar and as a percentage of household incomes. Moreover, level of economic activity is low, and high proportion of children and older people live in the rural areas. Participation of women in the workforce is low. (MAV,1999).

Government Initiatives:

State government initiatives in the area are economic development are often too small to make a real difference, and, require matching funding contributions – which is beyond the resources of many small rural Local Governments. In addition, the benefits of regional economic development that develop value-adding networks and export clusters

Further, the current models of economic development are generally based on competition with each other (smoke-stack chasing), which further erodes infrastructure and bids down the price of utilities. The current context demands partnership approaches to economic

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development, identifying regionally niche markets and working closely with private sector bodies. The development of co-operative ventures within sectors and across Local Government boundaries needs to be enabled by State Government.

State Government committed a \$170 million Regional Infrastructure Development Fund to address some of these issues. Commonwealth Government announced several programs to address rural issues, and to encourage infrastructure investment. The Federal Government is considering a \$1 billion package to improve life in the bush covering health, education, telecommunications and road (*The Australian*, 14 March, 2000).

The current Federal and State Governments projects are project and submission based. The programs should be based on local networks and initiatives, and seek matching local funding. Different agencies are involved in managing these programs. According to ALGA, the variety of regional structures has created confusion and precipitated the lack of coordination in regions (ALGA, *Jobs for the Regions*, 1999). ALGA has also suggested that initiatives should be taken to efficiently use the resources and improve the system so that it enables a better coordination of effort to bring together regions and regional mechanisms.

Projects should be selected to provide long-term value. These projects need to be linked to community-based initiatives. Rural Local Governments should be actively involved in developing and implementing community-based projects.

Long-term integrity of road networks and infrastructure is of pivotal importance, and dealt with elsewhere in this document.

The impact of privatisation, deregulation, the progressive removal of tariffs, the decline of real value of commodities, and abolition of some services in small towns and rural Local Governments needs to be addressed.

Different regions are affected by different issues. To address this issue, local level initiatives should be encouraged where Local Governments and communities get an opportunity to identify their needs and develop specific projects.

To introduce value-adding processes in the farms, alternative technology base economic activities should be identified. Institutional and some kind of network arrangements could be devised to ensure community consultation and cooperation.

State and Commonwealth Government should assist local investment initiatives and develop an action plan in order to improve local infrastructure.

The current assistance programs have not been successful in delivering the expected outcomes (Industry Commission). Poorly prepared programs have lead to many problems because of a heavy legacy for rural Local Governments to maintain those projects.

The 1999 Senate Rural Committee Report and the Productivity Commission Report 1999 suggest that the present programs are not effective because these programs are not based on specific needs-analyses, and the strengths of the rural areas have not been taken into consideration.

To derive maximum benefit of the \$170 million Regional Infrastructure Development Fund – infrastructure needs to be strategically developed with the support of the local communities, and in support of strategic economic and social development programs. Regional

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organisational networks should be devised in order to allow Local Governments to collectively strategically evaluate local infrastructure demands and assess the priority needs.

The use of funds should support the development of skills in the rural workforce. This will reduce the cost of production, attract investment, and create new demands.

Recommendations

State Government should, in consultation and partnership with Local Governments:

- enable and support integrated regional economic development that develops value-adding networks and import/export clusters across Local Governments.
- support economic development initiatives that have well-defined relationships between the social, ecological, economic and demographic trends.
- develop and implement a whole-of-government approach to supporting and enabling integrated economic development .
- ensure that the current Victorian Grants Commission allocations criteria review priorities and develops methodology to ensure horizontal equalisation across in all Local Governments.

Telecommunications

Lin Crase

Evan Patullo

There are various initiatives at Commonwealth and State government levels to develop telecommunications throughout rural Victoria.

Whilst the responsibility for telecommunications infrastructure rests largely with the Federal government, a number of opportunities are available to the State, in cooperation with Local Governments, to enhance regional and rural telecommunications services.

Two major initiatives are the federal program, *Networking the Nation* and the state program, *Connecting Victoria*. *Networking the Nation* is a Commonwealth grants program providing over \$400 million in funding to not-for-profit organisations to support activities and projects designed to address a range of telecommunications needs in regional, rural and remote Australia. *Connecting Victoria* is the State government's strategy to expand the State's information and communications technology (ICT) industry. However, there remain a number of problems with the approach taken by these two initiatives:

- identifying current State-wide skill shortages is unlikely to provide useful information from a rural and regional perspective. Given the relatively limited capacity of the ICT infrastructure in rural and regional Victoria, current skill shortages are likely to be most apparent in metropolitan areas.
- any State-wide industry plan must give due consideration to the competitive advantages which could be harnessed in rural and regional communities. These include lower labour

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turnover, reduced establishment costs, and the like. However, such advantages are unlikely to be realised in the ICT industry unless 'competitive' infrastructure is available.

- the State government's undertaking to boost e-commerce via *Connecting Victoria* is also welcome. Moreover, the Victorian E-commerce Early-Movers assistance scheme [VEEM] represents a demonstration of financial commitment to this goal. However, several concerns arise from the initiatives announced to date.
 - firstly, the quantum of funds allocated to regional and rural Local Governments is not specified in the program. Accordingly, there is potential for VEEM to sponsor second-mover advantage to metropolitan regions which already enjoy first-mover advantage due to lower telecommunications costs or superior telecommunications infrastructure. The State government should be cautious not to understate the relationship between early adoption of technologies and an adequate infrastructure to support those technologies.
 - secondly, the total quantum of funds to encourage significant uptake of e-commerce would appear insufficient. For example, Local Governments with ten viable VEEM projects could offer no more than \$4,500 worth of State government assistance to each project.
 - thirdly, the VEEM program assumes that first-mover projects will 'emerge' from rural and regional communities. Again there would appear to be only limited recognition of the relationship between adoption and the quality of infrastructure support.

A number of additional concerns, along with a range of ideas on how these can be overcome, have been developed. The issues raised were largely related to the recognition of the importance of the link between technology adoption and the provision of adequate infrastructure, the need for alternative communications solutions for rural and regional, the importance of telecommunications in the future development of all communities, and the need for a more sophisticated economic and social argument around the benefits of providing services to the bush.

Telstra has clarified that the cost of distance is very low in relation to the cost of switching and billing. Telstra has no active plans, however, to alter pricing models to eliminate cost disadvantage to rural Victorians.

Recommendations

To enable Local Governments to take a leadership role in the development of telecommunications, State Government should, in consultation and partnership with Local Governments:

- suitably gear the State Government's Regional Infrastructure Development Fund (RIDF) and Connecting Victoria Strategy to resource ICT infrastructure upgrades that realise the competitive advantage of rural and regional communities and contribute to horizontal equalisation of ICT infrastructure across Local Government areas.
- deliberately specify support for initiatives that build, attract or retain ICT workers in rural and regional Victoria.
- suitably gear the Victorian E-commerce Early Movers assistance scheme (VEEM) to specifically support regional and rural Local Governments and ensure that there is

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integration between the delivery of this program and RIDF / NTN infrastructure programs.

- provide resources and integrated leadership across all State Departments to enable rural and regional communities to better identify and prioritise their telecommunication needs to optimise outcomes and access suitable resources.
 - provide resources to enable rural and regional communities to better articulate their needs, thereby improving their chances of securing Federal and State funding for important projects.
 - boost e-commerce through partnerships with industry, government and educational institutions to develop business plans and provide suitable infrastructure.
 - support de-regulation of access links.
 - directly, and in partnership with other State Governments, pressure and lobby Telstra to reduce the cost of access and maintain equitable quality of service (particularly of bulk or broadband services) and eliminate all cost, support and quality disadvantages to people living in rural and regional areas.
 - directly, and in partnership with other State Governments, pressure and lobby the Commonwealth Government to fund alternative communications solutions for rural and regional Australia.
- develop partnerships with Local Governments, communities and industry to develop affordable quality telecommunications solutions that meet community needs.
 - Extend, and lobby the Commonwealth Government to extend, subsidies of telecommunications needs of rural and regional Local Government areas.
 - continue the initiatives to develop online electronic delivery of its services, and work with Local Governments to provide integrated delivery of all government services.
 - develop across-government and inter-department integration in the development of community centres with online access for all.

Youth Services

David Ensor

Regional and rural communities are facing increasing numbers of youth who either leave to pursue alternative employment, lifestyle or education possibilities, or remain to live a life below the standards of what could be considered acceptable.

Youth suicide and depression remains a significant problem in rural and regional areas.

The percentage of students from rural backgrounds in higher education has always been proportionally low, and has declined since 1992 (*The Characteristics and Performance of Higher Education Institutions*, DETYA, December 1998).

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A review of attitudes of rural school-leavers for example, especially from lower socio-economic backgrounds, has shown that they are significantly less likely to believe in the beneficial consequences of university study. It has been found that the least advantaged students (lower Socio-economic Status (SES) students living far from campuses) have the following attitudes (as compared with urban, higher SES students):

- at least twice the proportion of least advantaged students believe that the cost of university fees may stop them attending university (43 per cent compared to 21 per cent)
- at least twice the proportion of least disadvantaged students believe that a university education was not necessary for their desired job (31 per cent compared to 15 per cent)
- at least half of the proportion of least disadvantaged students believe that their parents want them to undertake university study (38 per cent compared to 69 per cent)).

(NTEU Submission to the Inquiry into Infrastructure and the Development of Australia's Regional Areas)

The cost of higher education is a significant inhibitor or barrier for rural students. In addition, the imbalances in higher education partly reflect differences in family and community attitudes towards the relevance of education. This results in lower levels of school retention – before it becomes an issue directly affecting attendance in post-compulsory education streams.

As an integral group of regional and rural Victoria, the Koori community also has proportionally fewer members of potential students registered at the post-compulsory level.

Recommendations

State Government should, in consultation and partnership with Local Governments:

- develop Peak Body structures at State and regional levels that incorporate the youth in advising on their own futures and developing youth strategies driven by young people themselves.
- develop whole-of-government approaches that do not to exclusively focus on the perceived negatives – and build on the positives which might include: – safety and freedom that non-metropolitan centres offer young people.
- develop the potential for regional education centres to be developed with good quality schools and the increased focus of regional universities for better pastoral care and whole-of-life opportunities, specialist courses which will encourage the renewal of skills in regional areas.
- support Local Governments' strategies that develop population renewal and decentralisation.
- develop whole-of-government approaches to the provision of infrastructure and telecommunications resources, that consider the specific social and educational needs of youth and ensure horizontal equalisation of these services across Local Government areas

Best Value

David Ensor

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Compulsory competitive tendering has been scrapped and replaced with Local Government (Best Value Principles) Act (1999). This is considered fundamental reform to local governance legislation, intended to place local governance in the hands of the local communities.

It is envisaged that, if the Local Governments observe the six best value principles, a more collaborative relationship can develop between the Local Governments and the communities.

These are:

- all councils provided services must meet specified quality and cost standards;
- all council provided services must be responsive to community needs;
- each council service must be 'accessible' to those members of the community for whom the service is 'intended';
- council must show 'continuous improvement';
- council must develop a program of regular consultation with the community in relation to the services provided;
- council must regularly report to the community on its achievements in relation to the other principles.

The differences and implication of "consultation" and "participation" is a central issue that would need to be resolved in the development of implementation strategies for this legislation. A Best Value Taskforce has been constituted by the Department of Infrastructure to develop proposals concerning the implementation of the Act.

The implementation of the Act is an opportunity to initiate a process of community consultation aimed at building vital communities able to confidently participate in local decision-making, economic development and the improvement of quality of life.

Specifically, the process could (such as is being developed in a program of the Victorian Local Governance Association (VLGA) and City of Greater Shepparton) through a consultation process aim to:

- involve the community in understanding the diversity and commonality of values, community aspirations, and goals;
- provide a framework through which to fulfil identified goals;
- develop vibrant democracy through confident communities;
- develop community champions who provide support and serve as role models;
- develop an enhanced understanding of the critical role of Local Governments;
- involve the community in the development of progress and wellbeing indicators through which community goals can be evaluated, and progress measured.

Recommendations

State Government should:

- recognise Local Governments as a legitimate level of democratic representation that should be adequately resourced and supported in the context of Best Value principles.
- assist Local Governments develop and resource models for sustainable community participation (as opposed to consultation) in the development of Local Governments' strategic plans and best value benchmarks.

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- ensure that, despite local development of benchmarks, there is horizontal equalisation of quality of service-delivery across all Local Governments in Victoria.
- develop mechanisms of measuring Local Governments' delivery against community developed benchmarks

Goods and Service Tax

Prem Yapa

Di Harvey

The effects of GST on small businesses and small rural Local Governments is poorly understood. However, anecdotal information suggests that it has the potential to force widespread closures of business and high levels of non-compliance by June 2000.

The GST will impact on all aspects of the ways that Local Governments operates. Hence, GST will impact on all contracts entered into since 02 December 1998 on goods and services, raising revenue, outsourcing, accounting functions, etc. For some grants, Local Governments will need to pay GST, and are subsequently entitled to claim 'national Input Tax credits'. It is therefore expected that the removal of "Wholesale Tax '(WST) and the introduction of GST will affect the costs and cash flow position of Local Governments. It is therefore imperative that Local Governments engage in developing cashflow projections in order that the effect can be anticipated.

Revenues from Local Governments' property rates are currently constrained by arbitrary exemptions, limits and definitions that should be reviewed in the context of wider reform. Under new arrangements the State must be able to cease their growing reliance on property based taxes and 'back door' taxes on Local Governments.

The principle of compensating Local Governments from a national pool for differences in revenue capacity and service provision costs is the basis for viable Local Governments in Australia's regions. The Commonwealth must acknowledge its role and enhance the certainty and size of united financial assistance to Local Governments based on horizontal equalisation.

Taxes on transport fuels should remain under a revised taxation system. A greater share of these taxes than now should be allocated to the building and maintenance of roads along with pollution and congestion abatement measures.

Local Governments and local communities would be large net losers from the introduction within the wider tax reform agenda of increased liability for Commonwealth and State taxes, without adequate compensation.

Introduction of the GST could see Local Governments liable for tax on goods and services now sales tax exempt. In addition, Local Governments may be required to collect such a tax on rates – as a tax on a tax. Local Governments' services must be zero-rated to avoid higher costs on Local Governments and communities.

Therefore it is important that Local Governments must be consulted and represented on policy-making bodies to enable balanced and informed consideration of these issues.

Opportunities to Local Governments from tax reform:



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- Improvements to Local Governments revenue base – by returning the general purpose component of Local Governments financial assistance to about 1 per cent of total Commonwealth tax, strengthening the rating base and delivering adequate road funding. It is assumed that, in addition to rates and municipal charges, all services that are compulsory, eg. Fines, permit applications, and which are unlikely to be outsourced, will be treated as GST free and included in the Treasurer’s determination.

Threats to Local Governments from tax reform:

- Imposition of a GST (broad based indirect tax) – perhaps costing rate payers more in payments;
- Increased reciprocal taxation, such as Local Governments paying Federal GST- some Local Governments would win (by collecting extra rates), but most would lose;
- Less road funding if fuel excise revenues are greatly reduced;
- Lower financial assistance if the Commonwealth intends to reduce expenditure to fund income tax cuts;
- Tax-starved State governments further encroaching into and eroding Local Governments property base.

It is important to maintain equitable local services. Therefore a proper basis of financial assistance grants to Local Governments must be considered (on the basis of horizontal equalisation). Furthermore Local Governments' services be zero-rated under any broad based indirect tax that may be introduced so-as not to raise the cost of essential community services and avoid needless ‘churning’ caused by ‘a tax on a tax’.

While Local Governments see the potential for tax reform to improve efficiency, equity and integrity of the current tax system, a focus on the practice of taxation misses the point which is that taxation funds services that government provide. With access to the major tax bases and few of the major spending responsibilities, Commonwealth sees taxation reform as a sound one. State and Local Governments seemingly face the difficulty of providing services from limited tax bases and limited grants from the Commonwealth. Therefore, major priorities of Local Governments are to protect the integrity and capacity of its current property tax base. Moreover, preserving the fuel taxes as the most appropriate means of funding road building and maintenance also could be considered as another priority. Promotion of the Commonwealth financial assistance to Local Governments is essential.

There is considerable current concern about the adequacy of the information and support being given to Local Governments in readiness for the changes.

Recommendations State Government should, in consultation and partnership with Local Governments:

- ensure the maintenance of equitable local services across all Local Governments.

- develop (and lobby the Commonwealth to develop) a proper basis of financial assistance grants to Local Governments (on the basis of horizontal equalisation). The principle of compensating Local Governments from a pool for differences in revenue capacity and service provision costs is the basis for viable Local Governments in Australia’s regions.

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- ensure that Local Governments' services be zero-rated under any broad-based indirect tax that may be introduced.
- be able to cease a growing reliance on property-based taxes on Local Governments.

Risk Management

Rita Verma

The ordinary conduct of Local Governments is accompanied by many risks that were rare or unknown in the past. Liability for negligent advice, appeals against property valuation, allowing environmentally insensitive developments, competitive tendering, contracting out services, failure to enforce by-laws or unreasonable enforcement of by-laws, to mention but a few, are emerging trends in litigation in Local Government.

The Victoria Ombudsman's Report (1998), mentions that every year complaints concerning Local Governments make up about 15% of the total complaints to the Ombudsman. Judicial determination of cases involving Local Governments by the High Court of Australia, Supreme courts of States and Territories and Administrative Appeals Tribunals also have a substantial impact on how the Local Governments run their activities. Increasing numbers of governmental regulations requires additional expenditure, while creating new heads of liability. Soaring insurance costs and litigation threaten the Local Government's financial resources. The devolution of public risk on Local Governments for maintaining roads, parks, swimming pools, childcare centres, playgrounds, fire dangers and floodplains and an array of other areas needs sound and sustainable risk management strategies.

Risk management by the Local Governments in Victoria

"Local Governments arguably face a wider range of risk exposures than any industry sector....Court interpretation, consequent high damage awards and ensuing publicity, together with restricted litigation opportunities in other arenas, have all been identified as negative contributing factors in assessment of these exposures" (Civic Mutual Plus Annual Report 1999, p. 2).

Local Governments have been sued under common law and statutory provisions of various Acts. Courts have established Local Governments' legal liability for negligence, under occupational health and safety laws, health laws, food laws, planning laws, to mention but a few.

Civic Mutual Plus, a large insurance corporation for Local Governments in Australia, Annual Report (1999, p. 15) refers to high risk claim areas where Local Governments were held legally liable in a variety of circumstances. The report indicated that incidents arising from "Roads and Footpaths" alone constitute 57% of all claims received by the insurers.

The plethora of cases against the Local Governments indicates that there is a need for them to develop and adopt systematic and consistent risk-management strategies. "At present the cost of liability litigation is outpacing the rate of risk management improvement" (Civic Mutual Plus brochure on risk management, p.3). Local Governments can achieve risk management if they work more rigorously in:

- developing and implementing specific risk management policies and programs;

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- allocating adequate and competent staff resources to risk management programs;
- measuring results and applying performance accountability.

Unfortunately that is not the case. Civic Mutual Plus conducted a survey on the Liability Assessment of Victorian Local Governments which was completed in November 1998. This shows peculiar characteristics and attitudes to risk management at the Local Governments level. The survey found that:

- only 23 of Victoria's 78 Local Governments have a formal risk management policy. Nineteen Local Governments demonstrate no visible corporate commitment to risk management. Thirty-six Local Governments are in a process of developing risk management risk policies;
- only half of Victoria's Local Governments have appointed dedicated risk managers;
- performance indicators to measure how the Local Government is performing against its own risk management objectives and targets are virtually non-existent.

The main reason for the absence of risk management policies and programs in Victorian Local Governments is the inadequacy of resources (human and financial) being allocated to effectively deal with these issues. Devolution of responsibilities, with appropriate staged resourcing, has not resulted in sustainable risk management of an appropriate quality in rural and regional Victoria.

Recommendations

State Government should, in consultation and partnership with Local Governments:

- support the development of a sustainable risk-management policy and strategy across all Local Governments, and resource its implementation.

APPENDIX 2

Regional communities– sustaining new modes of governance?

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The Senate Employment and Workplace Relations Committee, September 1999¹ started its report by recognising:

A perception held in many circles that the regions represent ‘a problem’, not only for people who live there, but for parliaments and governments, and for planners and investors. There is an expectation that governments and parliaments should ‘do something’ to arrest the decline in prosperity and employment in regional Australia.

Later the Committee noted: -

Above all, the Committee is aware that while only a minority of people live outside the metropolitan areas, the issues of ‘city versus the bush’ have a social and economic dimension that economic rationalism can find no answer to. The Committee understands that global forces and economic policy changes over the past fifteen years have provoked a degree of dissatisfaction in some regions, and increased perceptions of relative deprivation and government neglect.

What defines regional and rural?

There is some difficulty in defining and classifying regional and rural areas. The rapid pace of change has differentially affected areas in Victoria over the last decade. Smaller regional towns share some significant problems with suburban areas, most particularly with those the outer suburbs in Melbourne^{2 3}.

¹ Quoted from the Municipal Association of Victoria report *Economic and Financial Challenges for Small Rural Councils*, Jan. 2000

² The classification of Australian Regions made by the National Institute of Economic and Industry Research used 6 broad regions: - sub-global cities (eg. Sydney CBD); service based metropolitan (suburban areas based on service industries eg. Melbourne’s eastern suburbs); resource based regions (areas largely dependent on the exploitation of minerals, timber etc.); industrial oriented regions (areas with higher than average concentration of manufacturing, eg. Sunshine, Footscray); rural based regions (areas dependent upon agriculture and pastoral industries); lifestyle based regions (tourism and favourable climates).

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There is a problem of issue definition and conceptual clarity related to what we are referring to as regional and rural. There is a lack of conceptual rigour, which reflects the neglect of this area in scholarly interest and analysis by government agencies; there is also limited empirical research, which indicates what is actually going on, or comparative baseline data.

This is a highly speculative piece of work based on impressions and early stages of long-term research and social development initiatives at the Centre for Sustainable Regional Communities, La Trobe University (based in Bendigo).

Introduction

Rural and regional Victoria is at a cross roads in a unique period in its history. The pressures of globalisation, declining commodity prices, demographic changes, changing industrial base, and trade liberalisation have been greatly exasperated by Local Government amalgamations, savage public sector cut backs, closure of banks and other financial services and massive withdrawal of services by the Kennett Government. Many institutional changes including privatisation, loss of services (both public and private), and corporatisation in service delivery areas created particular consequences for regional and rural Victoria. There is considerable disquiet in these areas about the loss of *lamington equity* (the seizure of community developed assets, especially in hospitals and schools, where community members built up the value of these assets by their voluntary efforts – and consequently their sense of equity and ownership - to have those summarily removed by the Kennett government's sell offs).

There are also many pending threats, i.e. telecommunications privatisations, further job losses as industries continue to close down and the increasing evidence of serious environmental degradation. The future of regional and rural Victoria will depend upon the capacity of governments to support sustainable solutions, in partnership with these communities.

There are also many opportunities for these communities. For some these changes have been energising, stimulating important initiatives. These initiatives have been around the areas of: - seeking a sense of belonging and serious attempts at community building (e.g. Building a Future for the Country: Five towns project); changing expectations and ideas about governance (e.g. focus on regionalism); local economic initiatives in developing niche markets (e.g. historical tourism, wine growing); finding innovative models of meeting service gaps and developing joint ventures with the private sector (e.g. community banking and some innovative health services).

While many regional and rural areas in Victoria have been devastated by the impacts of globalisation and economic rationalism, there are considerable opportunities for the Brack's government to build on the existing strengths and to support the development of new models of decision making which will 'ease the burden on staff within bureaucracies to 'get it right' for all regional communities, and tap into the energy, knowledge and resources at a local level'⁴. The most significant role government can take is to support these changing structures in a way which is inclusive of local knowledge and expertise, enable partnerships within and between regions and sectors, support initiatives to build on local knowledge which will develop well-being and sustainable developments into the future.

³ In Victoria, Local Government Areas are divided into 6 categories. Metropolitan centre; metropolitan developed; metropolitan fringe; regional centres (Geelong, Ballarat, Bendigo and Latrobe); regional urban (other regional towns) and rural agricultural (the 23 councils with less than 20,000 population).

⁴ Helen Sheil Transformation: *From Despair to Optimism*, paper for the Regional Australia Summit, 1999.

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Indicators of disadvantage⁵

The Senate Employment Committee noted the cumulative impacts of restructuring in rural areas: -

“These stark realities facing a community in decline may be sequenced as follows: -

- Eroding of the economic base as key industries wind down or where company restructuring forces the closure of a branch plant;
- Closure of important industries;
- Loss of income puts pressure on local small business, some of which may close;
- As employment prospects recede school leavers and mobile skilled workers depart for the metropolitan region, further education and training or to regions with a skills deficit;
- Population decline sees the withdrawal of some state and Commonwealth government offices and services;
- School numbers drop and professionally qualified (and higher paid) people leave;
- Housing prices fall, reducing options for some of those with portable skills, who may stay and accept unemployment benefits; and
- Local rates receipts fall, with a likely drop in services as a result.”

This has been exacerbated by withdrawal of services by the Kennett government and Local Government amalgamations.

There has been a concentration of employment growth in Melbourne in the last few years. In the last three years Melbourne had jobs growth of 100,000, while regional Victoria has seen virtually no increase in jobs.

These trends have exacerbated already existing differences in household income levels. In the 1996 census median household income in Melbourne was \$36, 400, in regional Victoria was \$26, 400 and in rural areas it was \$25,000.

Between 1995 and 1997 property valuations climbed 14% in metropolitan Melbourne, but moved hardly at all (+2%) in regional Victoria.

“In the late 1980’s, population trends in regional Victoria were broadly keeping pace with metropolitan Melbourne.... However, in the 1990’s this picture changed. While Victoria’s population growth was much slower in the early 1990’s, growth rates fell significantly in regional Victoria – and the resurgence in population growth in the last few years has been especially felt in Melbourne⁶.” There are important differences between the regions (the south west and the north west saw little population growth in the late 1980s, with declines in the 1990s; and the north east has the best population growth outside of Melbourne and the metropolitan fringes). Larger centres have better population growth than smaller towns and the rural areas.

There are variations between regional and rural areas as well as with employment figures between workers. The Senate Committee noted the effects of home ownership, especially for older workers “for whom ‘quality of life’ is an associated reason for lack of mobility where location is seen as ultimately the most important consideration in a life which may extend twenty years beyond retirement. It is the next generation, without ties, which moves out, affecting the demographic profiles of regional centres.

⁵ There are a number of sources of data in this section and these include the MAV report on *Economic and Financial Challenges for Small Rural Councils 2000*, the Jesuit Social Services report *Unequal in Life*, 1999.

⁶ MAV report page 4.

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As Professor Rolf Gerritsen told the committee:

What is happening in these towns is that young people – and that is fairly common throughout rural Australia – with any talent finish school and leave. Entrepreneurs with any talent move out. The entrepreneurs who remain in those sorts of towns are risk averse; they are basically running down their capital. There is substantial assets deflation in these areas, which operates independently of the Australian economy and is another feature of this ‘terminal decline’. So we have a situation where these communities are in very severe economic straits.” (Senate Employment Committee.pg13).⁷

In a recent submission to the Productivity Commission the Cattleman’s Union emphasised the impact of population changes.

One possible unforeseen consequence of government and semi-government services leaving country towns is that the relatively well-educated young women who came to work in these places often married the local rural boys and stayed....With most country girls seeing little future for themselves in the rural areas and moving to the cities there is a severe shortage of young women to be life partners for the young rural men (PC, 295).⁸

Many smaller regional towns have very unevenly distributed population profiles, with serious shortages of young men and women, rapidly declining professional populations and rapidly increasing ageing populations. There are often fewer under five-year olds. These population trends, while reflecting some wider demographics have been exacerbated by cuts to services and regional infrastructure, which have accelerated the loss of job opportunities. There is also flow on costs to social capital, as the middle level, relatively younger groups often contribute to the towns by stimulating social and cultural activities.

The ABS use of the SEIFA index uses data such as incomes, unemployment rates and education levels to devise a composite index of structural disadvantage. This is a comparative measure; based on an average of 1,000, with higher scores indicating relatively better off communities. The 1996 figures, and the changes from 1991 demonstrate only relative changes not absolute status.

Metropolitan average	1,023 + 1
Non-metropolitan average	999 - 16.

The Jesuit Social Service Report, *Unequal in Life*, while not specifically focused upon regional rural issues, indicates significant disadvantages, relative to metropolitan Melbourne in many regional and rural centres.

There have also been significant impacts on regional and rural infrastructure. The poorest areas of the state, also pay the highest relative prices for rates, and receive the lowest standard of services. Regional and rural Local Governments have larger road networks to maintain, and they face considerable constraints in maintaining and renewing their infrastructure. Regional and rural Local Governments face larger risks and greater constraints in responding to these risks.

New modes of governance

The specific impact of Local Government amalgamations in Victoria has three dimensions. Firstly, there has been significantly decreased democratic representation in regional and rural

⁷ MAV report page 12.

⁸ MAV report page 12

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areas; secondly, what ever economic efficiencies can be demonstrated, there are considerable costs in terms of service levels, local responsiveness and some of the many hidden costs are now emerging; and thirdly, in response to a perceived failure by governments to meet their needs many regional and rural areas are concerned with developing new governance structures and reconsidering their relationships with government.

On the wider platform of political representation questions are emerging as to who has been representing the interest's non-metropolitan communities? During the 1980's the natural role of the National Party as the representatives of the bush, in coalition with the Liberals who are aggressively pursuing deregulation, free trade arrangements, infrastructure sell offs, etc. has been in increasing doubt. The two parties electoral interests have clearly been in conflict (demonstrated again recently by the further privatisation of Telstra). The rural and regional constituency have not had their interests served by these trends and coalition tensions, as well as the response of the electorate has illuminated this and shifted the political ground. In states other than Victoria, One Nation has picked up some of this increasing disquiet; in Victoria and NSW there has been an upsurge in rural independents and seats won by Labor members.

The average ratio local elected representatives in Victoria is much lower than elsewhere in Australia. While this is only an indicative measure of democratic involvement it is clear that in many regional and rural areas, there has been a significant loss of democratic protection. Smaller towns which lost their municipal offices, not only lost employment, they also lost equity in their Local Governments and for many bigger, amalgamated Local Governments, competitively tendering services, the need to been responsive to outer areas in the shires was sharply diminished. Many towns report loss of services, and a total lack of responsiveness by the Local Governments to their needs. There often appears to be no electoral incentives for the Local Governments to represent the outlying areas, as they exercise almost no impact on the electoral outcomes.

Average ratio of Local Councillors to population:⁹

<i>State</i>	<i>Ratio</i>
W. Aus	1:1280
Tasmania	1:1630
Queensland	1:2100
S. Aus	1:2130
NSW	1:3470
Victoria	1:7900

This lack of representation and responsiveness by all levels of government has encouraged many smaller regional and rural centres to look for new ways of organising and they are turning to organisations like the Victorian Local Governance Association (VLGA) to assist with Local Councillor responsiveness and ways to improve governance. Many have looked to concepts such as regionalism to combat these structural limitations of declining overall populations, poor employment prospects and poor Local Governments responsiveness. The Building a Future for the Country project (managed by the Centre for Sustainable Regional Communities) is typical in this way. The five small towns of Dunolly, Wedderburn, Newstead, Maldon and Talbot have an average population of 700; with declining levels of services, very uneven demographic profiles and each have sustained major closures. They took the initiative through local leadership to join together to seek regional solutions and

⁹ R. Kiss Recovering Community? Australian Local Government Electoral Reform, paper presented at the Local Government at the Millennium Conference, 19th Feb. 2000

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sought the partnership with the Centre for Sustainable Regional Communities and achieved funding through the Regional Assistance Program. These solutions are to be ones which take little heed of existing governance boundaries, seek support from governments as partnerships, in which they collectively determine their needs and employ strategies which use local resources, enhance local skills and will improve overall community well being. They accept that the economic solutions of 'chimneystack' industries, which employ few locally, are neither environmentally sustainable nor economically desirable.

They are responding often in desperate circumstances, as the towns' overall viability is at risk, to a new mode of governance, in which their communities determine their own needs and solutions. They perceive that governments have let them down and their expectations and perceptions of governance have been radically altered. They will no longer be passive recipients of government initiatives, which are not in their interests. They will organise, get resources and skills, and plan their futures. New models of community organisation are emerging.

These circumstances have created the potential for enhanced democracy, participation and social development. They are seeking autonomy and what is emerging is a change in identity from passive service recipients to active seekers of a distinctive future envisioned by their communities. There is a new collectivism building, and increased democratic expectations of both state and Local Governments.

Economy and Employment

Economic development is becoming an increasing focus of Local Governments, as they understand they cannot compete as local entities bidding down services and infrastructure costs to provide chimneystacks. Traditional economic solutions are no longer viable. They do not provide a longer-term sustainable future, it often does not lead to the level of job creation that is hoped for, and the environmental impacts are no longer acceptable.

In the small towns and regional centres there are people who may now be permanently marginal to the labour market as the types of employment opportunities have changed. These may have differentially affected regional communities, especially closures of utilities; manufacturing and public sector services (closures of railway yards, regional manufacturing enterprises), which mean that the least mobile and the least skilled are the most affected. Mobility is affected by age and the value of housing in regional centres.

Access to education and knowledge, is of increasing concern. Alternative modes of delivery offer opportunities, but the recognition of existing local skills is also to be encouraged. There is increasing need for collaborative educational strategies at all levels – in community capacity building and value adding networks; and export clusters, manufacturing – growth centres, taking advantage of niche markets. The regional focus encourages the seeking of opportunities in one shire, understanding that it can create opportunities for another. These processes happen better regionally rather than locally.

Regionalism as the game of mutual development¹⁰ offers a potential when the size of communities threatens their existence. The capacity to develop strategies for co-operation and mutual benefit, are being increasingly identified.

¹⁰ Ellyard, P Ideas for the New Millennium, Melbourne University Press, 1998

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Conclusion

Many questions remain about the level of disadvantage experienced by regional and rural communities and the appropriate response for the Brack's government. There is the potential here for benchmarks, to identify standards against which progress can be measured. There are social justice and human rights issues in regional Victoria as access and equity issues are highlighted and services which are generally available to metropolitan citizens remain inaccessible to them.

Paradigms of progress are questionable which leave out vast proportions of citizens. Well-being, self-determination and community empowerment will challenge government proposals, which do not seek long-term, community determined, economically and environmentally sustainable solutions.

Opportunities do exist around the collective capacity of regional and rural communities. Governments have let them down and now they are finding their own resources. Frontier towns are directly experiencing new paradigms, emphasising new modes of governance, and confronting challenges to economic growth.

They have begun to face what we all have to confront, indeed they are in the lead, insulated from both the optimism of being saved by the outsiders (i.e. government) with having to carve out their own identities and needing to be clear about what they want.

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The full Discussion Document can be accessed:
Victorian Local Governance Association (VLGA):
<http://home.vicnet.net.au/~viclga/>

Centre for Sustainable Regional Communities(CSRC):
<http://www.bendigo.latrobe.edu.au/campserv/csrc/>