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Division 19: Local Government and Regional Development — Service 1, Implementation of Government Policy, \$2 244 000; Service 3, Better Local Government, \$9 853 000 —

Mr P.B. Watson, Chairman.

Mr E.S. Ripper, Treasurer representing the Minister for Local Government.

Ms J. Mathews, Director General.

Mr M. D'Ovidio, Principal Accounting Officer.

Ms J. Law, Manager, Local Government Support and Development.

Mr Q.N. Harrington, Director, Governance and Statutory Support.

The CHAIRMAN: Members, this is division 19, Local Government and Regional Development. The member for Moore.

[3.10 pm]

Mr G. SNOOK: I refer to the appropriation and forward estimates on page 325 of the *Budget Statements* under “Delivery of Services”. On my calculation, the total appropriation required to deliver services for the 2008-09 budget estimate is down by about \$2.4 million. It continues to decline in the forward estimates for 2009-10 etc, and sharply declines after next year. Can the Treasurer outline the main and key areas in which the decline in appropriation is planned to occur?

Mr E.S. RIPPER: The decrease in funding between the 2008-09 budget estimate and the 2009-10 forward estimate is the result of finite grant funding in 2008-09 for the outer metropolitan community fund and the community facilities grants fund. The decrease in funding between the 2009-10 forward estimates and the 2010-11 forward estimates is due to the expected completion of phase 2 of the regional infrastructure funding program.

Mr G. SNOOK: Is there no plan by the government to continue or revitalise the RIF program in the forward estimates?

Mr E.S. RIPPER: The government will certainly examine that issue at a later stage. My own view, which I am sure is the view of my colleagues, is that RIF 1 and RIF 2 have been successful. I contemplate that we would move on to RIF 3, but we have not yet made that formal decision.

Mr A.D. McRAE: I note that on page 325 the second dot point of significant issues and trends states that the government expects that structural reform through voluntary amalgamation and a variety of resource-sharing initiatives will continue to assist the sustainability of local government. Has the Western Australian Local Government Association responded to that policy direction, in part or in whole; and are there specific examples that the Treasurer can provide of places where that policy initiative has already been adopted by local government as part of increasing the sustainability of Western Australia’s 142 local governments? I am asking about the extent to which the policy direction has been adopted and supported by the WA Local Government Association.

Mr E.S. RIPPER: I think there is a general view in principle in local government that there should be more resource sharing and more amalgamation. Getting that general view in principle translated into actual resource sharing and amalgamation is a more difficult exercise. In previous budgets the government has implemented a program to provide some limited financial assistance to support amalgamations. We got out of that the Geraldton-Greenough amalgamation, the amalgamation of the Northam local governments, and we recently approved the amalgamation of Tambellup and Broomehill, which will come into effect on 1 July 2008. Councils are also involved in a variety of resource-sharing activities. I am aware that WALGA has produced a document that promotes a new level of local government—regional governments—with resource-sharing opportunities. I believe that ratepayers deserve a more vigorous approach to amalgamation from local government. There are too many local governments that are too small to deliver good value for money for the rates that ratepayers pay. There are barriers to reform because of the attachment of people to their own town and their own local government, and perhaps the attachment of councillors to their own elected positions. It is not unnatural for elected people to be attached to the positions to which they are elected! However, the interests of ratepayers would be served if local governments took a more vigorous approach to amalgamation. The director general might wish to add to those remarks.

Ms J. Mathews: I suppose an additional comment would be that certainly the department welcomes the SSS report.

Mr A.D. McRAE: What is the SSS report?

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Ms J. Mathews: The systemic sustainability study report on the sustainability of local government, which WALGA has in fact released. We see the report as presenting some very good opportunities for collaboratively working towards some structural reform, particularly in encouraging local governments to move towards the regional delivery of services to communities. There is also a range of recommendations there around increased training and capacity building for local government authorities. We therefore see it as an opportunity to encourage further incremental reform in local government in the way that has been suggested.

Mr A.D. McRAE: The regional delivery of services that has been mentioned in the course of the answers by both the Treasurer and the director general is interesting. I understand that that might mean collaboration, for example, on planning or any number of specific operational areas of local government. It does raise questions about how ratepayers and constituents of local governments can have access to those shared services. I am thinking in particular of the south metropolitan region in which five councils became the ratepayers and shareholders of the Southern Metropolitan Regional Council, which I understand is a separate local government authority established under the Local Government Act. That council is engaged in waste management and recovery. However, there seems to be a disconnect between the SMRC as a governing body and the real ratepayers compared with nominal ratepayers. The current ratepayers of the SMRC are the member councils. No individual constituent or ratepayer has the capacity to ask direct questions or engage in an investigation of the SMRC's operations; only its ratepayer members can do that, which are the five councils. I think, therefore, there is an issue of governance. I wonder whether that has emerged as part of the discussion going on with WALGA now about those shared services and how direct accountability can be ensured while local governments are going through the process of sharing services and operations.

Mr E.S. RIPPER: The member has raised an interesting point. I will ask the director general to comment on whether there has been any discussion on pursuing this matter.

Ms J. Mathews: It is worth noting also that the SSS report is still in a discussion and consultation phase until 16 June. However, the department has already started discussions with WALGA on some of these more strategic issues on the direction in which the report is heading on local government reform. One of the key observations is that it is a voluntary process. It is really up to councils to determine whether coming together to form a regional council is in the best interests of their region and their community. Ultimately, issues around accountability and the structure they may take will require further consultation. There are a range of issues within the report—they have generally been welcomed—about its implementation that require further consultation in terms of the detail. We are looking forward to discussing that further with WALGA. One of our initiatives is to look at setting up a steering group with WALGA and LGMA to look at these issues in more detail and how they might be implemented following the consultation period.

[3.20 pm]

Mr E.S. RIPPER: I express my concern that these initiatives are second best to the solution of amalgamation. People really ought to get on with a more vigorous approach to amalgamation. That is for local government to consider. In the end, it is all about what deal the ratepayers get, how much they pay, what level of services they get and how efficient local government is.

Mr A.D. McRAE: I have a further question on that same matter. I am not sure I fully understood the director general's comments. I am particularly interested in the arrangements of the Southern Metropolitan Regional Council, for example, as a specific declared local government authority under the act by which its only constituents are its five member councils. It is a supra local government; it is beyond having a direct relationship with its ratepayers. Is that part of the assessment that is being conducted now included in the SSS report? Is that very question of accountability at the core of understanding how to make local government more effective and more responsive? There is a question of effectiveness and responsiveness. The SMRC strikes me as a good example of a body that might be reasonably effective in meeting its objectives. I am not sure that it is particularly good at being responsive.

Mr E.S. RIPPER: It is worthwhile pointing out that both the local government organisation, WALGA, and the government have been concerned about the sustainability of local governments, which are basically too small. The government has encouraged councils to consider amalgamation and it has provided financial support. The government has also encouraged councils to share resources and to undertake a range of measures smaller than amalgamation to achieve more efficiency. WALGA has responded with this SSS report. It is WALGA's report, WALGA's proposal, and the government is consulting with it on that. I can see the argument that the member is making that regional councils can become a level of government that do not have a direct relationship with the ratepayers.

Mr A.D. McRAE: That is precisely the point I am making. From my experience, I see there could be a bit of a problem when difficulties are encountered.

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Mr E.S. RIPPER: If they do something wrong, how do you sack them?

Mr A.D. McRAE: I am not talking about sacking them.

The CHAIRMAN: Member, I think you have had a good whack at this one. You have been going on with this line of questioning for about 10 minutes.

Mr A.D. McRAE: I make the point that we had six questions in a row from the previous member.

The CHAIRMAN: Member, I am only going on what I have heard in the past 25 minutes. The member for Riverton has taken up about 15 to 20 minutes of that time. I ask him to get to the point so that someone else can ask a question.

Mr A.D. McRAE: I was at precisely the point I was making, with all due respect. I thank the Treasurer for his comment.

Mr E.S. RIPPER: I ask the director general to fill in a little of the detail.

Ms J. Mathews: Under the Local Government Act there is provision for councils to come together to form either regional local governments or regional local councils. The member mentioned the SMRC, and there are a number of others like that that deal with specific issues. WALGA's SSS report is proposing to take that a little further. Whilst it has progressed in a broad direction in terms of councils moving towards regional service delivery, a lot of the detail in those precise issues of transparency and accountability needs to be worked out. In particular, the general direction would be not to create another layer of government but to reduce them, leading to a situation in which fewer individual government authorities are replaced by more of a regional approach. Much of this really does need to be worked out in a bit more detail. The department looks forward to assisting and working with WALGA and also LGMA in taking this issue further.

Mr G. SNOOK: Whilst I find the philosophical and policy discussions most fascinating and interesting —

Mr E.S. RIPPER: I am glad that is the case.

Mr G. SNOOK: Seriously, I do. I spent a lot of time in local government; my heart is in local government. My question to the Treasurer relates to pages 338 and 339 of the *Budget Statements*. Further to the Treasurer's response about the funding appropriation cuts—he should correct me if I am wrong—to the outer metropolitan community schemes and the regional investment funds, is it also accurate to state that the development grant schemes have been cut substantially? Page 339 shows that the regional collocation scheme has been cut by \$1.3 million. By my calculations, the cuts total approximately \$6.9 million. Would that be a fair comment?

Mr E.S. RIPPER: I ask the member what figures he is referring to. I am on page 339. I can see the line "Financial Support to Local Governments". Is that the line the member is referring to?

Mr G. SNOOK: That is an area that has seen a cut. If the Treasurer comes down to RIF funding, that drops marginally. There is nothing much to worry about there. The outer metropolitan community program has gone up a little—\$500 000 plus. By my account, regional development grant schemes dropped by \$4.6 million. If we go to page 339 and the heading "Grants to Charitable and Other Public Bodies", we see that the regional collocation scheme had a budget of \$1.864 million in 2007-08 and its budget estimate is \$500 000, a difference of \$1.3 million. The amalgamation of those cuts from "Financial Support to Local Governments" right through to page 339 comes to approximately \$6.9 million. Is that correct?

Mr E.S. RIPPER: There has been no government decision to cut these programs. The use of the term "is cut" —

Mr G. SNOOK: There is a reduction in allocation appropriation.

[3.30 pm]

Mr E.S. RIPPER: There has been no government decision to reduce the allocation.

Mr M.W. TRENORDEN: Then why do it?

Mr E.S. RIPPER: There has been no government decision to reduce the allocation or cut the programs. To give an example, the government has made an allocation over four years for the regional investment fund. There are then different cash flows, depending on when the grant applications come in and how much is paid out in a particular year. That is why, for example, the amount for the outer metropolitan community program would go up. It is not because the government has allocated more money to that program. It is because more of the allocation will be spent in 2008-09 than was spent in 2007-08. It is an allocation across three or four financial years. That is the situation. This is a program across four years, and this is the cash flow outcome.

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Mr G. SNOOK: I am somewhat confused. The Treasurer is saying that this is a four-year allocation. In previous years, we have been given the budget estimate and the estimated actual. I understand that to be a continuum on an annual basis, not on any four-year projected expenditure basis. If it was on a four-year projected expenditure basis, then, from my understanding of accounts, it would be shown in a different way.

Mr E.S. RIPPER: Regional investment fund II was a commitment that we made before the last election, and it was for a four-year program. That is reflected for four years across the budget period, and these are the cash flows. My comments relate to RIF. We have made a commitment to a regional investment fund of a certain amount over four years. This figure shows how that is reflected across those four years. We are coming to the end of that four-year program. I am advised by the director general that there has been an increase of \$1 million in the outer metropolitan community fund. There has been an increase of \$500 000 in the community facilities grants program.

Mr G. SNOOK: I understand what the Treasurer has said about the RIF program. I comprehend that; that is not a problem. I refer the Treasurer again—please correct me if I am heading down the wrong track here—to regional development grant schemes. That is a line item that goes on and on and on. That line item indicates to me that there has been a significant drop in funding for regional development grant schemes. That is separate from RIF. I understand that.

Mr A.D. McRAE: What page is the member referring to?

Mr G. SNOOK: I am referring to page 338 and to the four items listed under the table “Details of Controlled Grants and Subsidies”. I understand those items to be line items.

The CHAIRMAN: I think the Treasurer might have been looking at page 339. Is the Treasurer looking at page 338 or page 339?

Mr E.S. RIPPER: I was looking at page 339. I think the member is referring to —

Mr G. SNOOK: I am referring to page 338.

The CHAIRMAN: I think there is some confusion about which page the member is referring to.

Mr G. SNOOK: I am referring to page 338. Under the table headed “Details of Controlled Grants and Subsidies”, there are four line items: financial support to local governments; grant funding—regional investment fund; outer metropolitan community program; and regional development grant schemes.

Mr E.S. RIPPER: Is that on page 338?

Mr G. SNOOK: Yes. It is the Treasurer’s document. That is all I am given.

Mr E.S. RIPPER: Okay. The problem is that my copy of that page is not complete. The person who has photocopied the document has shifted that table from the bottom of page 338 to the top of page 339. The member is looking at regional development grant schemes, which is at page 339 of my copy but at page 338 of the official pages. At least we now know what we are talking about!

Mr G. SNOOK: To get back to my point, I understand about RIF. I comprehend that. I am confident and hopeful that the Treasurer will review that funding. Two of the other three line items under that heading have been cut. The bottom line item—regional development grant schemes—has been cut significantly. I am referring to that as a cut. I should refer to it as a reduction, because it is a reduction in appropriated funds. The other line item is the regional collocation scheme, for which there has been a reduction of \$1.3 million. That is found at page 339.

Mr E.S. RIPPER: My understanding of the issue is that in previous years, there has been a carryover of funds. When there is a carryover of funds from one year to another, that increases the level of expense that is forecast for the subsequent year. The second issue is that an amount of \$1.8 has been allocated to deal with Wittenoom issues. There is a cash-flow figure for that across the forward estimates, and when that expires, it expires. That is to deal with specific issues at Wittenoom.

Mr A.D. McRAE: Has that expenditure gone over a couple of years in this cycle?

Mr E.S. RIPPER: Yes. My understanding is that the expenditure grew in certain years because of under-expenditure in previous years, and carryovers. The other factor that is influencing the cash flows here is that a discrete amount of \$1.8 million was allocated for Wittenoom matters. When that money has been spent, that allocation will finish.

Mr G. SNOOK: Would the Treasurer be prepared to submit as supplementary information details of what he has just tried to explain? I am not doubting the Treasurer. I just want to get it clear in my mind. My questions are

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well recorded, I think, and so is the direction I am taking. I want to know the details of that carryover fund and the proportion of it. Is that possible, Mr Chairman?

The CHAIRMAN: Yes. I ask the member to please let Hansard know what supplementary information he is requesting.

Mr G. SNOOK: I am asking the Treasurer to give details in his response of the carryover funding that is in effect offsetting these reductions, as I understand it. I would like to be provided with that detail, and with the balance figure, for the record.

[Supplementary Information No A8.]

Mr E.S. RIPPER: I will indicate what we will be providing. We will provide an analysis of the factors affecting the cash flow across the years from 2006-07 to 2011-12 for this particular line item.

Mr M.W. TRENORDEN: Which line item is the Treasurer talking about?

Mr E.S. RIPPER: Regional development grant schemes.

Mr M.W. TRENORDEN: Is the Treasurer saying that he will explain each of those years and provide a balance?

Mr E.S. RIPPER: We will provide an analysis of the factors affecting the cash flow, which will be the carryovers and the Wittenoom matter.

Mr G. SNOOK: I would be pleased if the Treasurer would respond to my question, as recorded.

Mr E.S. RIPPER: I am saying that in the end, ministers determine what supplementary information will be provided. We will provide an analysis of the factors affecting the cash flow. I think we are on the same page. The member will get the information he is seeking.

Mr M.W. TRENORDEN: We are not on the same page.

The CHAIRMAN: The minister decides what supplementary information he will provide.

Mr M.W. TRENORDEN: That is correct. However, those of us who sit on this side of the chamber have a responsibility to pursue information. It seems like there is a dichotomy. It seems from his language that the Treasurer will provide only some of the information.

Mr E.S. RIPPER: I need to express that information in a way that is intelligible to the public servants who will provide it. The member has asked why there is an apparent fall-off in funding from 2007-08 to 2008-09, and further fall-offs in funding for the line item across the forward estimates. We will arrange to provide the member with a full analysis to explain the different levels of funding in the different years. I think the explanation will go to carryovers from one year to another and also to the use of the Wittenoom funds. There may be other factors. Whatever factors are needed to fully explain the different amounts allocated for this line item from year to year will be provided in the answer.

Mr G. SNOOK: Will the Treasurer prove to me that there has been no reduction in the appropriations?

Mr E.S. RIPPER: If that is what the information says.

Meeting suspended from 3.41 to 3.54 pm

Mr M.W. TRENORDEN: The second dot point at page 330 under the heading "Major Initiatives For 2008-09" is about conducting funding rounds for programs under the regional investment funds. Firstly, is the estimated allocation to this fund for the 2008-09 financial year \$20.911 million, which is shown at page 338 of the budget papers? Secondly, what portion of the RIF, in both percentage and dollar terms, is allocated to the regional headworks program, the Indigenous regional development program and the Western Australian regional initiatives scheme?

Mr E.S. RIPPER: The expected expenditure from the regional investment fund for the 2008-09 financial year is \$20.9 million and that is shown on the table at page 338. With regard to the break-up of the RIF into its subprograms, I will ask the director general or one of the other officers to answer that question.

Ms J. Mathews: I can give the member an indication. Funding rounds will be held for the various components of RIF and they will be considered and approved in exact detail. Essentially, the funding available for the infrastructure funding program will be \$6 million; for the Indigenous redevelopment program, \$3 million; for the regional headworks, \$2 million; and for WARIS, \$1.25 million. In addition, the regional development commissions will be conducting a round for the regional development scheme, and \$500 000 is available to each of the regional development commissions.

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Mr A.D. McRAE: Do any other members of the opposition who are not in the chamber have questions listed?

The CHAIRMAN: The member for Avon has more questions.

Mr M.W. TRENORDEN: I have a range of questions and that is the reason I asked a question about government agencies. I have some core questions, but I have other questions relating to program matters.

Mr A.D. McRAE: I wondered whether there was a list indicating that other members who were not in the chamber wished to ask questions.

The CHAIRMAN: I will worry about what is on the list.

Mr M.W. TRENORDEN: What percentage of these funds is already allocated, given that some applicants will be successful in obtaining funds?

Mr E.S. RIPPER: I will ask the director general to answer the question. To interpret the member's question, is he asking whether, of the \$20.9 million, decisions have already been made for some of that money?

Mr M.W. TRENORDEN: Correct.

Mr E.S. RIPPER: While the director general seeks information on that, I will raise a point of order. I am representing the Minister for Local Government in this estimates process. I am being asked a lot of questions about regional development, which comes under another minister. I am not sure whether we are covering regional development matters in this stage of the estimates.

The CHAIRMAN: Yes, we are—division 19 is local government and regional development.

Mr E.S. RIPPER: We are covering the whole lot now?

The CHAIRMAN: Yes, division 19.

Mr M.W. TRENORDEN: I am happy to take that answer by way of supplementary information.

Mr E.S. RIPPER: We will provide, as supplementary information, an answer to this question: how much of the \$20.9 million has been pre-committed, if any?

[Supplementary Information No A9.]

Mr M.P. MURRAY: I refer to the fifth dot point under “Major Initiatives For 2008-09” at page 332, which states —

Continue to encourage Local Government structural reform . . .

What is taken into consideration in this process—other than commercial and dollar reforms—in the way of cultural, historic and employment reform when a proposal for amalgamation is made? In this process some historic buildings could be left in the lurch to rot. Has a program been put in place for local government to preserve historic buildings?

[4.00 pm]

Mr E.S. RIPPER: Amalgamations are voluntary. A small amount of money was allocated in the past, not in this budget, to support amalgamations. With regard to historical buildings, town halls and the like, I ask the director general to answer.

Ms J. Mathews: Funding has been allocated, particularly under the Connecting Local Governments and Structural Reform program; indeed, \$3 million was allocated over the past two years. That has been used to fund the amalgamation of six local governments into three local governments. It has also been used to fund a number of structural reform feasibility studies into reform of a number of other local councils, including making arrangements for two of the lower mid-west local governments to share a chief executive officer. It is very much at the instigation of particular local governments. They approach the department with proposals that they would like us to consider. We consider their proposals and allocate funding for a feasibility study. In some cases money has been used to fund the physical amalgamation of local governments. Funding has been allocated to address issues that have arisen by amalgamating two local governments; for example, information technology, infrastructure and the sharing of resources. With regard to historical buildings, perhaps the member is referring to boundary changes as opposed to the amalgamation of local government entities.

Mr M.W. TRENORDEN: There used to be a fund for historic buildings.

Mr E.S. RIPPER: On a point of order, with regard to my previous comments about the matters we are covering, my understanding of the committee roster is that we are dealing with services 1 and 3 in this session and that service 2 will be dealt with in tonight's session during which Minister Logan will be the representative minister. To translate that, service 3 deals with better local government and service 1 deals with implementation of

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government policy. Service 2, which will be dealt with tonight, refers to approved access to services and capacity for development. Although I have been happy to answer regional development questions, they should be asked tonight.

The CHAIRMAN: Is the Metropolitan Cemeteries Board included in that?

Mr M.W. TRENORDEN: I imagine not.

Mr G. SNOOK: It comes under the Minister for Local Government's portfolio.

Mr M.W. TRENORDEN: It probably does not have an allocation.

Mr G. SNOOK: It is in this division. It can be found on page 340 of the *Budget Statements*.

Mr A.D. McRAE: It is an off-budget item similar to the Insurance Commission of Western Australia, the Lotteries Commission, Racing and Wagering Western Australia and the Western Australian Greyhound Authority, which are also off-budget items. They are self-managing statutory authorities.

The CHAIRMAN: I think we have sorted out what we can talk about and what we cannot talk about!

Mr M.W. TRENORDEN: I refer to page 329 of the *Budget Statements*. The final item under "Key Efficiency Indicators" states that the average value of the grant approved for local and regional communities has been reduced by \$8 500. The *Budget Statements* state that the reduction in 2008-09 is due to an increasing number of successful applications. Are any other factors involved? It is unusual that an increase in the number of applications would make that much difference.

Mr E.S. RIPPER: With respect, this question goes to the point that I made earlier. This matter should be handled by my ministerial colleague in tonight's session. Regional development matters are not part of this estimates session.

Mr M.W. TRENORDEN: I refer to "Significant Issues and Trends" on page 325 of the *Budget Statements*. The second dot point states that structural reform through voluntary amalgamation and a variety of resource-sharing initiatives will continue to assist the sustainability of local governments. Where in the *Budget Statements* is the allocation to back up that line? What process encourages voluntary amalgamation? I am sure that the South East Avon Voluntary Regional Organisation of Councils and others are trying to move towards a voluntary amalgamation process. What avenues of funding or other assistance are available to enable structural reform?

Ms J. Mathews: The primary funding for that particular item comes from the program to which I referred earlier; namely, the Connecting Local Governments and Structural Reform fund, for which \$3 million was allocated over the past two years. There is some carryover into 2008-09. We have also apportioned additional departmental funding into that area. Essentially moving forward into 2008-09, we will consider future reform proposals on a case-by-case basis. A submission will go forward on that basis.

Mr M.W. TRENORDEN: Will there be applications by the minister for specified cabinet funding or are there enough funds in the carryover?

Mr E.S. RIPPER: The \$3 million was a one-off special allocation to encourage momentum in local government amalgamations. Local governments were told to get in quick if they wanted to take advantage of that money. There is some carryover, but it is limited. If a couple of councils or more approach the government with robust amalgamation propositions that require some assistance, the government will consider them on a case-by-case basis. If the minister believes it is a good idea, a submission will be made to the cabinet expenditure review committee. It may or may not be approved depending on the resources available at the time and the quality of the proposal.

Mr M.W. TRENORDEN: I am aware that some councils in my area will be making an application. I am curious about their chance of success.

[4.10 pm]

Ms J. Mathews: Certainly, some funding is available in the carryover, but part of the rationale for looking forward is in response to the WALGA systemic sustainability study report and in terms of the regional delivery of services and so on. The department has seen a real opportunity for moving along that path of reform. It makes sense to look at amalgamations in the context of what WALGA and the SSS report are proposing as well.

Dr J.M. EDWARDS: I refer to the second dot point listed under "Significant Issues and Trends" on page 326. Can the Treasurer explain what is described as a range of governance and program management initiatives that will arise from the Council of Australian Governments?

Mr E.S. RIPPER: The COAG reform program conducted through a number of task forces is quite comprehensive. The task force that could relate particularly to local governments is the Indigenous task force.

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The department will assist the four Kimberley local governments to investigate governance structures through which they can improve and coordinate the delivery of essential municipal services to remote Indigenous communities in the Kimberley. The initiatives follow the COAG signing of a bilateral agreement on Indigenous affairs in July 2006. The department will continue to work with Indigenous communities to increase their level of understanding of local government. There will be a continued focus on increasing Indigenous representation on councils and support programs to assist Indigenous elected members. This will include phone support, publications and site visits. In addition, the department will commence a program for local government officers on community engagement. I imagine that some of the federal government infrastructure initiatives might also have an implication for local governments. Infrastructure Australia is being established. There is a better than \$20 billion Building Australia Fund. How local government will be affected by that program is probably still to be determined.

Mr M.W. TRENORDEN: I refer to the fourth dot point on page 332, which states —

Undertake a comprehensive review of the Western Australia Local Government Grants Commission methodology for distribution . . .

I think that significant change is long overdue. Can the Treasurer explain to me what method of review will be undertaken? Will this be just an internal process, or will it be a significant opportunity for people to have input to change the methodology for financial assistance grants?

Mr E.S. RIPPER: I ask the director general to respond on that issue.

Ms J. Mathews: A critical point relates partly to the initiative whereby the Local Government Advisory Board is conducting an inquiry into municipal services to Indigenous communities. The report on that inquiry is expected to be delivered by the end of July. From that report, there will be much greater understanding of the sort of funding that may be required by local government to effectively deliver municipal services to Indigenous communities. I know that that was not exactly the member's question, but the potential funding requirements relate to it. Part of that will be linked to the question of the methodology for distributing federal grants to local government authorities and whether there is a more equitable way of doing that. The Local Government Grants Commission is looking at this question at the moment. It is looking at undertaking a review into the methods that are used to distribute funding to local governments across Western Australia. That certainly is under review.

Mr M.W. TRENORDEN: I am not sure that I am getting a strong message. I am not trying to be obstropolous about it. Some of the difficulties in the process that have arisen for councils over the years have not been changed for decades. There has been a range of issues. I am trying to support a comprehensive review. I think it is long overdue.

The CHAIRMAN: The member is making very interesting comments, but he needs to refer to a line item.

Mr M.W. TRENORDEN: It is the same one. It is the dot point that refers to the comprehensive review of the Western Australian Local Government Grants Commission methodology for the distribution of financial assistance grants to local government. I did not quite understand the response I got.

Mr E.S. RIPPER: I hope this answers the member's question. I am advised that the Local Government Grants Commission will conduct a review of the formula that is used.

Mr M.W. TRENORDEN: Will that be an internal review or an external review? I am trying to find out whether I can tell my constituents that they will need to get involved in this.

Mr E.S. RIPPER: We will provide information on the details of the Local Government Grants Commission review as supplementary information.

Mr M.W. TRENORDEN: I am happy with that.

The CHAIRMAN: For the purpose of *Hansard*, can the Treasurer please state what it is he will provide to the member for Avon?

Mr E.S. RIPPER: We will provide to the member for Avon further detailed information about the conduct of the proposed review of the distribution of financial assistance grants to local government to be conducted by the Local Government Grants Commission.

[*Supplementary Information No A10.*]

Mr G. SNOOK: I draw the Treasurer's attention to service 3, "Better Local Government", on page 330. On the right-hand side of the table it states that funding for enhancing local government will expire in 2007-08. Why is that so? What is the premise for the expiration of the appropriation of those funds? The second-last dot point listed under "Major Initiatives For 2008-09" on page 332 states —

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Continue to utilise information gathered from inquiries and compliance monitoring to identify systemic issues within Local Government generally, and provide information and strategic programs to build effective improvements.

I imagine that that would be enhancing local government. Why has the government stopped or reduced the funding for enhancing local government?

Mr E.S. RIPPER: Can the member again point out the dot point he is referring to?

The CHAIRMAN: I think he mentioned the second-last dot point on page 332.

Mr G. SNOOK: Yes, that is correct. It relates to service 3, “Better Local Government”, on page 330. The reason for the significant variation, as listed in the table, is that funding for enhancing local government expires in 2007-08. Why is the government allowing that appropriation to expire and not continuing with it? It is a significant amount of money. The second-last dot point on page 332 refers to building effective improvements for local government. It is contradictory.

[4.20 pm]

Mr E.S. RIPPER: This is the problem for a government that undertakes a good initiative. We decided as a one-off to allocate \$3 million to encourage local governments to amalgamate. We did not decide that it would be a continuing program. We made a decision a couple of budgets ago to allocate \$3 million, and the \$3 million has now expired. In my view it was a good idea to allocate the \$3 million, but to now call that a cut is a poor reward for the government having made a positive decision in the first place. I might say that on matters like this I am guided by the shadow Treasurer who calls for less growth and expenses!

Mr M.W. TRENORDEN: Does the Treasurer not want any amalgamation after this year?

Mr G. SNOOK: Going back to the Treasurer’s comments about encouraging local governments to be more forthright in their attitude towards amalgamations, does the Treasurer foresee no need for the government to continue to encourage local governments with financial assistance?

The CHAIRMAN: A further question from the member for Moore.

Mr E.S. RIPPER: Ultimately it is a matter of the quality of services that are provided to ratepayers. Local governments should amalgamate without any assistance from the state government, because in so doing they would provide a better deal to their electors and ratepayers. Because there was no momentum, we put some money out to get the process going. However, it was never our intention to be the financiers of local government amalgamation.

Mr M.W. TRENORDEN: It would have paid for another 18 months of the program.

Mr E.S. RIPPER: Local government amalgamation is something that local governments should do in the interests of their own ratepayers. They would provide a better deal if they did.

Mr G. SNOOK: I have a further question on that point. I refer to the first part of my question that it appears from page 330 that the funding is ceasing. The Treasurer said \$3 million, but that page does not show \$3 million. On my viewing of it, it shows the funding as \$9.853 million for this year, and then that funding ceases. Is that correct? It is shown at the line item under “Better Local Government” at the bottom of page 330.

Mr M.W. TRENORDEN: It has nothing to do with \$3 million.

Mr G. SNOOK: I cannot see the correlation between the Treasurer’s \$3 million and the question I asked on the appropriation of \$9.853 million for the delivery of service, which will then cease. The lead-in on that page states —

Through advice, support and compliance monitoring, assist Local Governments to be more efficient and effective and to achieve good governance and be responsive to the community needs.

Mr M.W. TRENORDEN: That has nothing to do with amalgamation.

Mr G. SNOOK: I do not know where the Treasurer’s amalgamation statement about \$3 million came from. Which programs are ceasing for which the \$9.8 million is allocated?

Mr E.S. RIPPER: The \$9.8 million is allocated for 2008-09. In these cost-of-service charts we do not go into the forward estimates.

Mr M.W. TRENORDEN: That is right.

Mr E.S. RIPPER: It does not mean that the forward estimates are not there; they are not shown.

Mr G. SNOOK: Why does it say “Funding for Enhancing Local Government expires in 2007-08”?

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Mr E.S. RIPPER: That is an explanatory note that states that the \$3 million will run out.

Mr M.W. TRENORDEN: Where is the \$3 million?

Mr E.S. RIPPER: It is buried within those figures.

Mr G. SNOOK: “Buried” is the operative word; I thank the Treasurer.

Mr M.W. TRENORDEN: That does not make any sense. I want to follow up on the same question. That is not an answer, Treasurer. There is no way that a person who has been reading these budget papers for 20 years, as I have, can follow the Treasurer’s answer. It refers to the total cost of service of a bit more than \$10 million, less income of \$175 000. The net cost of those services is \$9.85 million and the adjustment is \$3 000. Where is the comment about \$3 million? Also, where is the comment about amalgamation? The page does not refer at all to amalgamation; it refers to advice, support, compliance monitoring and assisting local governments to be efficient.

Mr E.S. RIPPER: I have given the answer to one part of the question, which is the major part, but I can go through it for the member.

Mr M.W. TRENORDEN: Does the Treasurer want me to put this question on notice?

Mr E.S. RIPPER: No, I will give the answer. Expenditure variance in 2007-08 between budget and estimated actual—that is, the explanation for the \$9.7 million to the \$11.7 million—relates to funding for the outer metropolitan community fund and the connecting local governments and active ageing programs carried over from 2006-07. The variation in expenditure between the 2007-08 estimated actual and the 2008-09 budget estimate, which is the explanation for moving from \$11.7 million to \$10.025 million, is mainly due to the \$2.457 million in 2007-08 for the connecting local governments program. That program ceased in 2007-08. The \$3 million was over two years, \$2.457 million was to be spent in 2007-08 and, as I said, that program is finishing. The funding of \$501 000 for the active ageing program ceased in 2007-08. There are then two increases. The community facilities grant program runs generally at \$500 000 a year. There is a one-off increase of \$500 000 in 2008-09, and \$2 million has been allocated to the outer metropolitan community fund in 2008-09, but no funding has been allocated to the out years.

Mr M.W. TRENORDEN: That still does not get to \$10 million; it gets to about \$6 million.

Mr E.S. RIPPER: This chart should not be read as stating that in 2009-10 there will not be a significant amount of money spent; it is just that the chart does not run on for the forward estimates.

Mr G. SNOOK: Why does it have an expiry date?

Mr E.S. RIPPER: That is just a note that happens to be placed in that part of the chart. The fact that that part of the chart is blank is not an indication that there is nothing there. If members look at the service expenditures, they will see that they are all the same. They provide that level of detail for only the budget year, not for the forward years.

Mr M.W. TRENORDEN: That is fine. Mr Chair, I ask for supplementary information to explain the full amount of the \$10.025 million.

The CHAIRMAN: Is the Treasurer in agreement?

Mr E.S. RIPPER: Mr Chair, my interpretation is that the member is asking for a breakdown of the expenditure of \$10.025 million.

Mr M.W. TRENORDEN: Correct.

Mr E.S. RIPPER: While I have provided an explanation —

Mr M.W. TRENORDEN: For \$6 million of that.

Mr E.S. RIPPER: No, I have provided an explanation for the variance between \$9.7 million to \$11.7 million and back to \$10.025 million. However, I have not provided a breakdown of the \$10.025 million. We will do that in supplementary information.

The CHAIRMAN: For the purpose of *Hansard*, will the Treasurer clearly state the information he will provide?

Mr E.S. RIPPER: We will provide a breakdown of expenditure for the total cost of service 3, “Better Local Government”, for \$10.025 million in 2008-09.

[*Supplementary Information No A11.*]

Mr G. SNOOK: I refer to the eighth dot point on page 331 under “Major Achievements For 2007-08”, which states —

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Continued the development and enhancement of advisory services to Local Governments, elected members and staff.

I do not see over the page under the coming year's initiatives for 2008-09 any further commitment to these programs. I understand some of these programs would be the council advice program and the assistance to CEOs program. Can the Treasurer tell the committee whether those two programs will continue and whether the government will fund them?

[4.30 pm]

Mr E.S. RIPPER: I cannot provide that detail; hopefully, the director general can.

Ms J. Mathews: We have referred to a range of programs, some of which have been increased and some of which have expired, although there is some carryover associated with some of them. In terms of future initiatives of the department, there will be a range of capacity-building initiatives for local government, which will be performed as part of the ongoing functions as resourced in the department. They will include, for example, the CEO support program and a range of workshops for new mayors and councillors, including Indigenous councillors. A range of different advisory and support services will be provided over the next 12 months as part of the department's ongoing role in this area of local government. I have in front of me a list of the various programs that will be performed by our capacity-building division. They include a range of leadership programs; involvement in a skills shortages working group; advice for women in local government; a range of local government support and development initiatives, including advice that was provided for the elections last year; and support and training. A range of different initiatives will be undertaken over the next 12 months as part of the department's ongoing role in the capacity-building area, which is not contingent on a specific line item for funding.

Mr G. SNOOK: I understand that the director general is saying that there is no line item allocation of funding specifically for councillor or CEO assistance and improvement in skills structure; there is no specified amount. How many staff are allocated to the capacity-building sector?

Mr E.S. RIPPER: It is fair to say that this type of activity is covered in service 3, "Better Local Government". It is part of what is to be done with the \$10.025 million. With regard to staff numbers allocated to the capacity-building programs, I will ask the director general to respond.

Ms J. Mathews: There are around 6.5 staff directly engaged in community capacity building, but staff are also engaged in capacity building in a peripheral way. For example, a number of staff are involved in the compliance and advice branch of the department, whose activities feed into and inform the capacity-building area. Essentially, the department is divided into four divisions. One of those is devoted solely to capacity building and support. That represents about a quarter of the department's staff, a total staff number of 130. The compliance area is roughly equivalent in terms of staff, but a lot of the work it does will feed into and inform the capacity-building work of the department as well.

Mr J.J.M. BOWLER: I refer to the fifth dot point on page 332 of the *Budget Statements*, which states —

Continue to encourage Local Government structural reform . . .

A report from the Local Government Advisory Board recommended that western suburbs authorities in Perth be amalgamated and certain other municipalities also merge, such as those in Northam, Geraldton and Greenough, which have since merged, and Narrogin and Merredin. Is the government still encouraging those mergers; and, if so, what is it doing to encourage them?

Mr E.S. RIPPER: Local governments should amalgamate in the interests of their ratepayers. There is sufficient benefit for ratepayers in most cases for local governments to get on and secure amalgamation in the interests of their own sustainability. To encourage them, we allocated \$3 million two budgets ago. I think the member may have had something to do with that. That \$3 million has almost been expended. We have not made a further allocation; we wanted to get some momentum into the program. Whenever I meet WALGA—I meet it as part of a regular series of meetings between the state government and local government—I press the point of amalgamation. I press it with councillors, as do my ministerial colleagues. None of those western suburbs councils serve their ratepayers as well as they could while they resist amalgamation.

Mr M.W. TRENORDEN: I refer to page 339. Under "Administered Appropriations", there is a figure for 2006-07 of \$1.396 million, while the figure for 2007-08 is \$2.114 million. What makes up those totals and why does it reduce in this budget to \$250 000?

Mr E.S. RIPPER: That will have to be answered by my ministerial colleague because it is part of service 2. It is a regional development matter.

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Mr M.W. TRENORDEN: I will ask tonight.

Mr G. SNOOK: Can the Treasurer identify for me the line item that reflects the financial assistance grant from the commonwealth to the state? I am looking at the income statement on page 334 and at the line item for grants and subsidies. That is identified by footnote (b), which states —

Refer Details of Controlled Grants and Subsidies table for further information.

Is that where the commonwealth grant moneys flow to for distribution?

[4.40 pm]

Mr E.S. RIPPER: I am advised that those funds do not flow through the budget of this department. They go straight to the Commonwealth Grants Commission for allocation.

Mr G. SNOOK: The source of this year's allocation of income is \$27.389 million in grants and subsidies.

Mr E.S. RIPPER: Which page is the member on now?

Mr G. SNOOK: It is at page 334, under the controlled income statement, the third line item. Grants and subsidies are shown at page 334 as an expense. Grants and subsidies are also shown at page 336, under the heading "Cashflows from Operating Activities", as a payment.

Mr E.S. RIPPER: I am advised that the detail of grants and subsidies is included in the table headed "Details of Controlled Grants and Subsidies" at page 338.

Mr G. SNOOK: That gets us back to where I identified all those amounts. Is that the amount of money that we were discussing earlier?

Mr E.S. RIPPER: Yes. That table lists an amount of \$27.389 million. That is the same \$27.389 million that the member was referring to in the income statement.

Mr G. SNOOK: Yes. That is where funding for the regional investment fund ceases as from next year, and that will be revisited.

Mr E.S. RIPPER: Yes. We had some discussion about RIF funding earlier, and that will probably be dealt with further tonight.

Mr G. SNOOK: So that is the funding for RIF?

Mr E.S. RIPPER: That is right.

Mr G. SNOOK: It was not a loaded question, Treasurer. I just wanted to make sure that I was on the right track.

Mr E.S. RIPPER: We hope to get the member in good shape for tonight's questioning!

Mr G. SNOOK: I look forward to it!

Mr J.J.M. BOWLER: I refer to the expenses on page 334. I note that the allocation for accommodation costs has doubled

Mr E.S. RIPPER: It is a regrettable feature of this budget that accommodation costs across a range of government agencies have increased significantly.

Mr J.J.M. BOWLER: Doubled?

Mr E.S. RIPPER: The increases have been very significant—in some cases doubling, and in other cases more than doubling. That is the case particularly when long-term contracts—which have been at relatively low rates for historic reasons—have expired, and agencies have been pitchforked into new contracts in the current market.

Mr J.J.M. BOWLER: The Department of Local Government and Regional Development is located in Dumas House, which is owned by the state government. The state government has doubled the rents for that department in the past 12 months.

Mr E.S. RIPPER: My understanding is that we charge market rates for rent at Dumas House. However, we have increased the allocations to the departments for accommodation. The government departments in Dumas House pay increased rent for Dumas House. That then flows back into our accounts. However, at least we have a market equivalent provision for rent.

The appropriation was recommended.