

Cost Shifting to Local Government



Inquiry by the House of Representatives Economic Standing Committee

COUNCIL NAME:	Moonee Valley City Council
POPULATION:	111,050
GEOGRAPHIC SIZE:	44 square kilometres
CURRENT BUDGET (2002/03):	\$ 68m

OVERVIEW:

The City of Moonee Valley was established in 1994 from an amalgamation of part of the previous Cities of Keilor and Essendon. It comprises 16 suburbs including the inner city suburbs of Flemington, Kensington and North Melbourne and the outer north-west suburbs of Airport West and Avondale Heights.

COST SHIFTING CATEGORY :

Compliance:	Additional costs / resources required as a result of compliance to new / amended State/Federal legislation.
Under Funded:	Insufficient funding for new/amended responsibilities or a decrease in funding without any decrease in Council's service provision or responsibility.
Function Transfer:	Clear transfer of State / Federal functional responsibility to Local Government with insufficient or no associated funding.
Levy:	New or increased levies imposed with no, or insufficient, return.
Flow On:	Indirect costs which Council is responsible for as a result of compliance, under funding, or shifting of responsibilities.

The increasing operating budget at Moonee Valley is due to a variety of costing, political, community and policy driven issues, many of which are beyond local control. Annual rate increases restricted to CPI plus the funding of infrastructure renewal did not consider the increase in operating costs, particularly labour costs, – Award and Enterprise Bargaining costs averaged 2-3% per annum above CPI.

The list below indicates the breadth of areas where funding scenarios have changed or are inadequate. The “shifting” of costs is from both State and Federal Governments and Statutory authorities. Quantification of costs is stated where possible.

1: Community & Social Services

	Item or Function	Category	Costs
1.1	<p>Home and Community Care</p> <p>HACC programs are Under Funded resulting in service being limited by Council budget constraints.</p> <p>Meal subsidies have not kept pace with costs. Increase in subsidy from \$1.10 to \$1.20 is the first increase in 10 years.</p> <p>Home maintenance subsidy has increased by CPI only. Demand at Moonee Valley is continuing to not be met due to budget constraints.</p> <p>Transport for Psychiatric clients to HACC funded program (Getting Together Program) is provided at Council expense, HACC grant insufficient.</p>	<p>Under Funded</p> <p>Under Funded</p> <p>Under Funded</p> <p>Under Funded</p>	<p>\$841k shortfall in funding in 2002/03 budget being difference between 80:20 funding and actual of 65:35 (this includes non-funded Community Transport)</p> <p>\$ 17,000</p>
1.2	<p>Maternal and Child Health</p> <p>The original funding based on cost of nursing staff has not kept pace with actual cost movements. As a result the funding ratio has changed to 45:55 State:Council over a 10 year period. Resource requirements to meet changing policies have not been funded eg: early release of post natal mothers</p>	<p>Under Funded</p>	<p>\$ 348,000 shortfall in 2002/03 budget being difference if original funding was maintained.</p>
1.3	<p>Libraries</p> <p>Previously 50:50 funding share, now 83% of cost borne by Council.</p>	<p>Under Funded Function Transfer</p>	<p>\$ 1.0m additional cost to Council</p>

1.4	<p>Child Care</p> <p>Operational subsidy for Long Day Care no longer available to parents from State. Cost either borne by parents to keep children in care or passed to Council if pressured to keep service available.</p> <p>Family Day Care accreditation requirements have been costly at Moonee Valley where 80% of carers are from Non-English speaking backgrounds. Costs have included training, translations etc. as well as increased administration costs.</p> <p>Child Care Building Regulation changes have required Child Care Centres and Preschools requiring Capital funding allocations from Council's annual budget.</p> <p>Special needs funding (SNSS) from Federal Govt frozen. Indirect costs borne by council for support services for children who would otherwise be catered for in this program.</p>	<p>Under Funded</p> <p>Compliance</p> <p>Compliance</p> <p>Flow on Under Funded</p>	<p>Unspecified</p> <p>\$ 22,000</p> <p>\$ 800,000 net</p> <p>\$ 10,000</p>
1.5	<p>Crime and Safety Programs/Graffiti Programs</p> <p>One off grants provided to establish programs and employ Officers, no ongoing recurrent funding provided.</p>	<p>Under Funded Function Transfer</p>	<p>\$ 58,000 for staffing \$ 150,000 graffiti program</p>
1.6	<p>Primary Care Partnerships (PCP)</p> <p>State Government reform required Local Government participation and coordination. Funding is supplied for projects and supervisory staff, however, significant management costs are borne by City of Moonee Valley as the auspicing agency.</p>	<p>Compliance Under Funded</p>	<p>\$ 10,000p.a.</p>

1.8	<p>Neighbourhood and Community Houses</p> <p>Moonee Valley has, within it's boundaries, the Dept of Human Services housing estates in North Melbourne and Flemington. The social support requirements for those communities is funded in total by council. The State policy on provision of public housing in concentrated areas means that the local council involved is faced with the associated social costs.</p>	Flow on	\$ 914,000 direct cost plus other support costs eg: Youth & recreation services etc.
1.9	<p>Gambling</p> <p>Detailed Social and Economic Impact Statement in response to any new EGM gaming application are required by legislation. The cost of Policy development, council reports and Community consultation, have also been significant.</p>	Compliance	\$ 75,000
1.10	<p>Disability Discrimination Act</p> <p>Development of Disability Action Plan. Upgrades in infrastructure to meet requirements (2000/01 to 2002/03)</p>	Compliance Compliance	\$ 12,000 \$ 52,600
1.11	<p>Information Technology Costs</p> <p>Software upgrades to cope with changing reporting requirements of State departments, eg:</p> <ul style="list-style-type: none"> - Child Care & HACC. - MCH 	Compliance & Flow on	\$ 35,000 for setup costs & upgrades

2: Building Services

2.1	<p>Building Surveyor Inspections</p> <p>Changing legislation has required Council to increase resources to administer and enforce Building Regulations. Eg: Pool fencing, Smoke Alarms, Sprinklers (after Kew cottages incident) Legionella- Council now responsible for the registration, maintenance, and annual auditing of cooling towers</p>	Compliance Function Transfer Flow on	\$ 50,000p.a. for additional staff
2.2	<p>Fee Capping</p> <p>Whilst building fees are not regulated the cost to Council for certain services is growing as costs increase and fees are capped by Building Control Commission. (BCC) Eg:</p> <ul style="list-style-type: none"> - Proposed laws regarding “consents and reports” – BCC previously charged \$200, councils will only be allowed to charge \$100. - Lodgement fee for provision of information (to legal firms etc.) capped at \$15. 	Compliance Compliance	\$ 33,000 \$ 52,500
2.3	<p>Private Surveying work</p> <p>With 80% of surveying work done by the private sector, costs to address complaints are growing. Council bears this cost of addressing complaints even though works not originally performed by them. Attempts to make the private operator more accountable under the Act have proved difficult to enforce.</p> <p>Additional inspections by council carries risk of litigation if further problems encountered.</p>	Function Transfer Flow on	Unspecified Could be significant.

2.4	Essential services – MFB Metropolitan Fire Brigade had power to enforce action relating to non-complying buildings with respect to essential services. Since 1994 power has lain with Council.	Function Transfer	\$ 50,000p.a.
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3: Public Health Services

3.1	<p>Tobacco control</p> <p>New legislation has seen initial funding provided to cover compliance costs incurred by council, but significant decrease the second year with indications that there will be no recurrent funding in future.</p>	Compliance	2001/02: \$30,000 2002/03: \$12,000
3.2	<p>Immunisations</p> <p>Funding per vaccination has remained at \$6 for the last 7 years whilst costs have increased. Other agencies (eg General Practitioners) funded at a different rate.</p>	Compliance Under Funded	\$68,000 net cost to Council 2001/02
3.3	<p>Food Safety</p> <p>Introduction of the Food Act has meant resource requirements for implementation have increased significantly. Registration fees cover some of the costs (approx 40% only)</p>	Compliance Under Funded	\$ 30,000 net p.a.

4: Engineering and Infrastructure

4.1	<p>Asset Renewal</p> <p>State Government initiated Infrastructure study (“Facing the Renewal Challenge”) placed greater emphasis on Council’s asset renewal program without increasing funding.</p> <p>“.....assets were never funded by the Councils in the first place....from a shift in responsibilities for previously State owned assets to Local Government.....”</p> <p>This report suggested that around \$12m per annum would ensure Council’s infrastructure assets would be adequately maintained, renewed and replaced – assets which were either originally funded by State or Federal governments or ownership and responsibility transferred to Local Governments.</p>	Under Funded Compliance	Unspecified
4.2	<p>Road Safety</p> <p>Councils required to have increased priority on Road Safety (encouraged by VicRds) but no ongoing funding provided – initial Road Safety Plan funded \$5,000 by VicRds and some activities in plans are funded. Previously recurrent funding \$50k p.a. for “Walk Safe” and “Safe Roads to School” programs.</p>	Function Transfer Under Funded	\$ 50,000 minimum
4.3	<p>Local Roads funding</p> <p>Annual roads funding from Victorian Grants Commission has not kept pace with increasing costs.</p> <p>Impact of Citylink on Moonee Valley’s main arterials and local feeder roads has been significant. Traffic volumes have increased by 40% causing an increase in the deterioration rate and therefore an increase in annual renewal costs.</p>	Under Funded Flow on	\$ 250,000 cumulative reduction since 2000/01 \$1,200,000p.a. for renewal/refurbishment of roads

4.4	<p>Maintenance for “On Road” and “Off Road “</p> <p>Maintenance funding insufficient to cover increasing costs over recent years. ie: the amount spent annually on declared main roads would be significantly more if budget funds were available.</p>	Function Transfer Under Funded	\$ 70,000
4.5	<p>Management of Roadsides / Areas adjacent to Freeways etc</p> <p>Construction of Citylink has resulted in land transfers to Moonee Valley. Responsibility for the ongoing maintenance is part of annual council budget. Payment from TransUrban insufficient to cover costs.</p> <p>Land owned by VicRds and Tramway authorities not cleared by owners despite continual requests. Community expectations result in Council undertaking slashing/mowing etc.</p> <p>Eg: Keilor Park Dve grass maintenance (VicRds owned) Tullamarine Freeway slashing of verges (VicRds owned) Matthew Ave tramlines slashing, clearing (Tramway auth owned) Pin Oak Dve daily sweeping of stones from railway land (Note: Council is exposed to potential litigation if problems spill onto council land)</p>	Function Transfer Under Funded Function Transfer	\$ 7,000 Parks & Gardens p.a \$ 5,000p.a. \$ 5,000p.a. \$ 40,000p.a. \$ 5,000p.a.
4.6	<p>Black Spot Funding</p> <p>Initial funding has been provided by both State & Federal governments over recent years, but no indication of any ongoing assistance. Moonee Valley has had the majority of its recent funding submissions rejected. Increased traffic problems due to Citylink toll avoiders has placed further pressure on Council to address blackspots.</p>	Under Funded	\$ 145,000 unfunded submissions

4.7	<p>Heavy Vehicles Road Limit Variations</p> <p>Changes to load limits to allow heavy vehicles such as B-Doubles and B-Triples on local roads have impacted on the local road network with no indication that additional funding will be available for maintenance or refurbishment. Assessment of load limits to bridges has also been a cost to council (though some funding was provided.)</p>	Under Funded Flow on	Adds to the overall deterioration of roads (See Asset Renewal)
4.8	<p>50km/h Speed Limits</p> <p>The introduction of the new speed limits on local roads has meant that council has needed to implement/construct some traffic management works: eg: speed humps, roundabouts, bicycle lanes etc. Amount quoted as 2002/03 cost is limited by budget, Council has works program far in excess of annual spend.</p> <p>Signage funding was provided but falls short of all costs associated.</p>	Compliance Under Funded	\$ 768,000 2002/03 for Traffic Management compared to \$58,000 in 2000/01 and \$157,000 in 2001/02
4.9	<p>Tree Clearance Near Power lines</p> <p>Responsibility has been shifted to Local Government to develop management plans, prune, clear and in some cases remove and replant trees around power lines.</p> <p>Undergrounding to meet community demands is all at council expense. Powerline Relocation Fund (old SEC) allocates little.</p>	Function Transfer	\$10-15,000

4.10	<p>Drainage Network</p> <p>State government allowing increased development moving many areas from medium to high density. Reduction in available ground space to absorb water, places increased stress on existing drainage network.</p> <p>Water Authorities inaction regarding the upgrading of major drainage infrastructure has also shifted the burden to Local Government, as problems back up to local drainage networks. Major drainage extends 12.9km into the municipality (a further 620kms are in the local network under council responsibility.) The \$8m from developers to the water authorities has not been applied to drainage upgrades. Effect on the community is significant including the inability to get insurance.</p>	<p>Flow on</p> <p>Function Transfer Flow on</p>	<p>Unspecified</p> <p>Unspecified (potential future costs)</p>
4.11	<p>Non-feasance Legislation</p> <p>Recent litigation outcomes, which have altered the interpretation of the legislation, could have significant impact on Council's management of roads and other infrastructure..</p>	Compliance	Unspecified
4.12	<p>Amalgamated schools</p> <p>The amalgamation of some schools in the municipality has created additional traffic problems due to volume and therefore congestion in some areas. Local Area Traffic Management not sufficiently funded.</p>	Under Funded Flow on	See costings under "50kph Speed Limits"
4.13	<p>Asset valuations – AAS27 & subsequent Accounting Standards</p> <p>Bringing to account infrastructure asset valuations per AAS27 has required Council to incur additional expense to undertake regular valuations of these assets.</p>	Compliance Flow on	\$ 50,000 average p.a.

4.14	<p>Stormwater drainage</p> <p>Stormwater Management Plans done in conjunction with Melbourne Water, Council and the EPA have raised the expectation that council will carry out and maintain significant new works. Eg: In-line litter traps in drainage pits funded initially by Capital grant but ongoing maintenance and replacement will be future cost for council.</p>	Under Funded Flow on	Unspecified
4.15	<p>Waterways, Bike Paths, Conservation Planting etc</p> <p>Maintenance of land adjacent to waterways by Melbourne Water (the owner of the land) is at lower standard than required, resulting in council services being deployed to assets they don't own. Cost of constructing bike paths is shared with Melbourne Water on the proviso that council agrees to maintain not only the path but also land adjacent - for fire hazard and noxious weed control.</p>	Function transfer	Unspecified
4.16	<p>Street Lighting – Local Roads</p> <p>Deregulation of the electricity business has meant energy purchases are open to competition, however, the assets are owned by the new companies (in a monopoly situation). Increasing maintenance costs are out of council control but have impact on annual operating budget.</p>	Flow on	Possible future costs
4.17	<p>Street Lighting – Main Roads</p> <p>Funding previously received by Council for street lighting costs on main roads – under the Transport Act – applications have been declined over recent years.</p>	Function Transfer	\$ 50,000 (net cost increase from \$50,000 to \$100,000)

4.18	<p>Landfill levies</p> <p>EPA imposed levy on landfills now includes \$4 per metre for the clean fill required to cover daily deposited rubbish. Council is forced to pass the cost on, by way of increased tipping fees, to ratepayers - \$38,000 additional cost to ratepayers annually for no benefit.</p>	Levy	
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5: Statutory Planning

5.1	<p>Rescode</p> <p>Introduction of more prescriptive standards in Rescode has affected the time and therefore resource requirement to assess planning applications. Implementation has also increased costs of external consulting/contracting services. Enforcement of legislation (eg: greater need for evidence if permits are contravened) has also increased legal costs to Council.)</p> <p>Rescode's minimum requirements/standards on drainage cause Council indirect future costs to address problems which could have been avoided.</p>	<p>Compliance</p> <p>Flow on</p>	<p>\$ 51,000 p.a. additional staff</p>
5.2	<p>Planning Fees</p> <p>Planning fees charged per regulation do not cover cost of administering the Planning and Environmental Services Act.</p>	<p>Compliance Under Funded</p>	<p>Additional staff per item above</p>

6: Local Laws

6.1	<p>School Crossings</p> <p>Introduced as a fully funded service, the net cost to Council has increased over the years. Annual costs including oncosts and administration not covered by the subsidy received.</p>	Under Funded	\$ 278,000 net cost 2002/03 budget (increase of \$46,000)
6.2	<p>Animal control</p> <p>Restricted dog breeds legislation in the Dog Act is enforced by Council, additional staffing required.</p> <p>Registration fees increased to ratepayers due to increase in State levy. (\$1.50 to \$2.50). No benefit to Council or dog-owner.</p>	<p>Compliance</p> <p>Levy Flow on</p>	<p>\$ 25,000p.a. for additional staffing</p> <p>\$ 10,000p.a. admin costs</p>

7: Leisure, Culture and Youth Services

7.1	<p>Flood Lighting</p> <p>New legislation regarding Flood Lighting (re 50 lux power) will have significant impact on council, both through capital cost of upgrading facilities, the ongoing maintenance as well as possible insurance issues if works not undertaken quickly.</p>	Compliance	\$100,000 to upgrade
7.2	<p>Child Care Facilities</p> <p>Regulations regarding child care services at Leisure Facilities and Community Centres have significantly increased operating and capital costs.</p>	Compliance	\$400,000 Capital upgrade cost.
7.3	<p>Recreation services (general)</p> <p>Municipal Recreation Officers were previously funded/subsidised by State govt. on a recurrent basis. Increased focus and encouragement at State level for Local Govt to expand role plus removal of recurrent funding, has meant significant increase in budget.</p>	Function Transfer Under Funded	\$ 65,000p.a.

8: Information Technology

8.1	<p>Support</p> <p>IT initial and ongoing support for any new hardware and software compulsorily acquired for compliance with new or changed legislation. See also comments in Community & Social Services.</p>	Flow On (Indirect)	Unspecified
8.2	<p>Hardware & Software</p> <p>Federal and State legislative changes:- software enhancements or purchases to ensure compliance. Eg: GST – modifications to Finance system Health & Food Act – changes to registration system. Valuations legislation – purchase module for system Other miscellaneous – ABS statistic report –hardware (replace server) for HACC –support for HACC, FDC, MCH installations</p>	<p>Compliance</p> <p>Compliance</p> <p>Compliance</p> <p>Flow on</p> <p>Flow on</p> <p>Flow on</p>	<p>\$ 20,000</p> <p>\$ 5,000</p> <p>\$ 17,000</p> <p>\$ 3,500</p> <p>\$ 17,000</p> <p>Ongoing</p>
8.3	<p>Local Government On Line Services</p> <p>Initial funding for purchase and installation received, ongoing operating costs not funded</p>	Under Funded	\$15,000
8.4	<p>Networking the Nation</p> <p>Rural councils funded, none to metros. Website development costs incurred by council..</p>	Under Funded	\$70,000

9: Finance & Administration / Governance

9.1	<p>GST</p> <p>GST legislation more complex for Councils due to mix of GST & GST free supplies plus committee structures etc.</p> <p>Responsibility for initial set up costs (eg software, audits etc) and ongoing operational costs, all borne by council.</p>	Compliance	\$ 66,000 p.a ongoing for additional staff. (on top of set up costs)
9.2	<p>Unfunded Superannuation Liability</p> <p>Council amalgamations and the Competitive Tendering Legislation and the resulting redundancies created the large unfunded component in the LAS Defined Benefits Fund. Moonee Valley's share of the unfunded liability was \$6.5 million.</p>	Compliance	\$ 6.5 million liability cleared by loan borrowings
9.3	<p>National Competition Policy and Competitive Neutrality</p> <p>Compliance with NCP and CN was funded for a 5 year period. Financial year 2002/03 is the final year of that funding. The ongoing cost of administering the requirement of the policies will now be borne totally by council.</p>	Compliance	\$ 20,000 estimated
9.4	<p>Victorian Grants Commission</p> <p>Grants commission funding to Moonee Valley has decreased significantly over the years since amalgamation. Changes to formulae have seen Moonee Valley's "share of the pie" reduce by over \$600,000 since 1999/2000 (General Purpose grant). The amount flowing from the Commonwealth to the State for allocation (the total size of the pie) has not increased to the extent that the Commonwealth Govt revenue has increased (eg: GST, PAYG bracket creep). The operating costs at Local Govt level have continued to increase, mainly due to externally created issues including some from the Federal level, such as those mentioned in all the areas reported in this submission.</p>	Under Funded	\$ 600,000p.a. less than 3 years ago

9.5	<p>Bi-Annual Revaluations</p> <p>The requirement to do valuations every two years, (prior to 2000 it was every four years), as well as the increase in the amount of information collected, has seen the costs of this exercise increase for Councils.</p>	Compliance	Increased net costs from average \$100k to \$200k per annum
9.6	<p>Fire Brigade Levy</p> <p>Moonee Valley's contribution to the MFB has continued to rise, with the 2002/03 amount advised to be \$900,000. Council has no control over the requirement or the increasing amount each year.</p>	Levy	\$900,000p.a. (increased \$150k in 2 years)
9.7	<p>Introduction of other legislation :</p> <p>Whistleblowers Costs incurred include training / seminars, development of policy and procedures, reports to staff and Council.</p> <p>Privacy Act Costs incurred include legal and officer time, training / information sessions for staff, annual monitoring</p> <p>Freedom of Information Act Moonee Valley receives about 24 applications per annum. Cost is not significant however, it has added to the annual budget operating expense since FOI legislation was introduced.</p> <p>Health Records Act Compliance costs incurred include staff time for administrative requirements, policy devt and council reporting etc.</p>	Compliance	\$ 65,000 for additional admin costs