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The Secretary
Standing Committee on Economics, Finance and Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Sir

re: Inquiry into Local Government and Cost Shifting

Please find attached the submission by Yarriambiack Shire Council to the inquiry into local government and cost shifting.

Yours sincerely



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attach

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House of representatives Standing Committee on Economics, Finance and Public Administration	
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COST SHIFTING SUBMISSION

1 Local government's current roles and responsibilities

Yarriambiack Shire Council is responsible for traditional property services including local roads, footpaths and bridges, waste management and community facilities (halls, recreation reserves, swimming pools). However Council is also involved in the provision of many non government services including but not limited to:

- Building and Planning
- Libraries
- Museums and Art Centres
- Aged and Disability Services
- Meals on Wheels
- Senior Citizen Services
- Community Transport
- Home Handyman Service
- Housing
- Environment Protection Act services
- Maternal & Child Health
- Preschools
- Youth Services
- Landcare
- State Emergency Services
- Vocational Education and Training transport
- Tidy Towns
- Australia Day and Victoria Day celebrations
- Citizenship ceremonies
- Centrelink
- Winter Energy Scheme
- Vicroads services (Licence Testing, Registrations etc)
- Wood permits (on behalf of DNRE)
- Animal Control
- Public Health Services
- Fire Prevention Services
- Saleyards
- Industrial Estate Development
- Caravan Parks
- Tourism
- Aerodromes
- Recycling
- Economic Development

How does local government become involved in these non traditional services?

Like many rural councils, Yarriambiack Shire Council has become responsible for non local government services because local government is the only level of government or statutory body left in the region. Government agencies such as Centrelink have withdrawn their services back to regional centres, we assume for the reason the service is no longer viable. Often people cannot access these services in the regional centres due to the lack of public transport. The demand for the service still exists and State and Federal Governments look to local government to become an 'agency' for the service – being the last remaining service provider in the region. Naturally the agency fees do not cover the costs to operate the agency. In this way the costs to run the service have been shifted to local government.

Many programs are developed by State and Federal governments without consideration of the implementation issues. An example of such a program and the subtle cost shifting implications is the Vocational Education and Training (VET) program.

The VET program requires students to attend their workplace or training provider one day per week. The VET program is well supported in rural areas but relies on parents to transport their children to the workplace on Wednesdays. The Program does not take into consideration the lack to public transport in rural areas. Now Council is responsible for coordinating a pilot project to provide bus transport for students across the region to Horsham for work placements. The administrative costs are being borne by Yarriambiack Shire Council.

The way in which State and Federal governments provide funding is another method of shifting costs to local government. Council becomes involved in many services through funding programs. One of the funding requirements will be a matching contribution by local government. Often the funding by the State or Federal government is provided for a fixed number of years and then ceases – either the service ceases or local government continues to fund the service in total. Not only have the costs been shifted to local government, but the decision about the future of the service is left with local government.

Another funding requirement is sustainability. Funding is provided on the basis the service will be sustainable at the end of the funding period. This is unrealistic – particularly when the service to be funded is a direct replacement of a service previously withdrawn by a government provider eg postal services, Centrelink.

Landcare – clearly a DNRE or Catchment Management role – is now significantly funded by local government due to the funding conditions. If the funding is discontinued for landcare Council will then need to determine the priority to increase the local government contribution to landcare against the opportunity to fund much needed works to local roads.

A far more subtle form of cost shifting is commencing in the local government planning area. Referral authorities – such as DNRE and Catchment Management Authorities – are placing conditions on planning permits relating to revegetation for example. The costs to ensure compliance with the permit conditions then have to be met by the planning authority ie local government – not the referral authority. Local government does not have the resources to fulfill this role, particularly expert resources in revegetation. Council can ensure the trees are planted, but someone will need to ensure the trees actually grow. If not – who will be responsible for enforcing such a condition!

Services and the costs are shifted to local government when a statutory authority restructures and simply withdraws the service. A recent restructure of DNRE resulted in the withdrawal of their crews. Now the role of eliminating roadside weeds is left to local government in accordance with a DNRE strategy. No funding is provided to local government by DNRE. The costs have been shifted to local government.

2 Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.

Current funding arrangements for Yarriambiack Shire Council:

Rates and charges	51%
General purpose payments	12%
Specific purpose payments	37%

Level of funding to provide for upgrade of existing assets is beyond the scope of rate increases. For example, the Hopetoun West Road is a local road providing access to the largest gypsum pit in the north west of Victoria. A significant proportion (90%) of the road usage relates to the gypsum carting. The gypsum is carted by contractors to farms across Western Victoria and South East South Australia. The road desperately needs upgrading, particularly for safety reasons.

Total cost of upgrade	\$1.8m
1% increase in rate revenue	\$44,000

It would require a rate increase of more than 40% to fund the upgrade of the road. Farmers and truck drivers pay high taxes through registrations, fuel taxes, stamp duty and other costs. They resented any suggestion of an increase in rates or the introduction of a levy to pay for upgrade to road given their current level of contribution to State and Federal taxes.

The State government has provided funding (\$900,000) towards this particular project. Council has, with much difficulty, introduced a levy on the gypsum extracted to cover the remaining costs of the upgrade.

In this particular case it was easy to identify the beneficiaries of the upgrade to the road and to levy them accordingly. It would be impossible to apply a levy to other road users, for example grain carting due to the non contiguous nature of farming enterprises and the large number of receipt points across the region.

Whilst this was an appropriate solution to fund the upgrade of one local road, the same solution cannot be applied to other local roads and the alternative of rate increases would be prohibitive.

3 *The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.*

Local government is extremely efficient utilising limited resources to provide a broad range of services across an extremely large area. Regional opportunities do not provide solutions to the problem of lack of resources (human and financial).

For example, it is extremely difficult for one Environmental Health Officer to provide services across 7,500 sq km. Aggregation of the role across two local government areas would make the job impossible - more travelling - less effective time on the job.

Many services, particularly community health services are already funded and provided on a regional basis. Service providers tend to include all population in the region to support and justify the application for funding for the service. But it is impossible to provide an equitable level of service across the region. For example, a health worker located

in Horsham can service, say, 10 patients per day from the office in Horsham. However, if they travel 250 km to Patchewollock to service a client in their region and return, they will only be able to service that one client for that day. The client in Patchewollock cannot access the service unless they can travel to Horsham (no public transport).

The opportunities to provide services at a regional level are limited – the area is too large to service effectively and efficiently and the increased travel costs and time would outweigh the benefits.

The opportunities to pool funding to achieve regional outcomes simply shifts administrative costs from the State or Federal government agency to local government. Primary Care Partnerships are an example of this 'opportunity'. Councils and health authorities are spending more time and resources administering the partnership rather than the State government.

4 Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.

Yarriambiack Shire Council has identified a significant funding gap for infrastructure. The Victorian Local Government Infrastructure Study entitled "Facing the Renewal Challenge" highlighted the massive capital input required by municipalities in the next couple of decades to maintain and replace infrastructure.

Many of the roads developed 30 years ago were not funded by Council in the first place, rather by State or Federal government grants, from developer contributions or from a shift of responsibilities for previously owned State government assets to local government. It is highly unlikely councils would have acquired such a large amount of infrastructure if they had been responsible for funding such infrastructure.

As roads approach the end of their useful life, their standard will diminish despite increasing maintenance expenditure.

Financial realities may also suggest that these roads may have to be maintained in a substandard state for a significant period of time beyond their use by date.

The introduction of State government legislation has resulted in increased local government compliance costs:

- Environmental Health Inspections
New code of practice will require Environmental Health Officers to inspect septic tanks once per annum. Additional costs and resources will be required to comply with the code. No associated funding provided by State government to coincide with introduction of code.

- Dog/Cat registrations

Increase in the levy payable to state government. Registration income does not cover the cost to provide ranger service.

Income	\$36,000
Expenditure	\$66,000

Increasing registration fees is not the answer and does not encourage people to register their dogs and cats. As with rates, the increases to registration fees to cover costs would be prohibitive. The state government has again increased the levy payable by local government.

- Tobacco Legislation

The Department of Human Services has introduced new legislation requiring local government enforcement – no funding provided.

- Food Act

Legislation has been introduced requiring local government enforcement. Again no funding has been provided. Ongoing changes to legislation making compliance more onerous – again without funding.

- Home And Community Care

The change in funding approach from grant to output based purchasing has shifted direct costs of service provision to council. The DHS calculates the grant on the basis of average cost per hour of service. No consideration is given for the high costs to deliver the service in remote rural areas eg travel. No consideration is given for changes to level of demand for service.

- Youth Services

State government grants have been available to fund (in part) the salary for a youth worker. Initially the funding was to be matched by local government. Over the period of 5 years or more the State government contribution has been reduced, effectively shifting the costs of the provision of the services to youth to local government. Now government has advised funds will no longer be provided for salaries – just projects. Yarriambiack Shire Council, due to the geographical size of the municipality and the number of communities, needs a youth worker to coordinate youth to participate in projects.

Now, the total costs for the service have been shifted to local government.

Freeza funding for youth activities has been reduced. Again, the funding is provided on a regional basis – no provision for travel.

- Maternal & Child Health

Funding for the M&CH service is dependent upon the number of infants/children and based on a set schedule of services. Yet the costs to provide the service to, say, 100 children across 7,500 sq km is much higher than providing the same service to 100 children in 7.5 sq km.

Yarriambiack Shire Council has 8 centres and 1.25 nurses. Less children – still need the same level of service. Council has received an effective decline in grant in real terms, plus a decline due to reduced number of births.

- Preschools

Local government has been required to comply with significant changes to building regulations – no funding.

- Whistleblowers and Privacy Legislation

Costs are involved to establish procedures in accordance with the Whistleblowers and the Privacy legislation. Ongoing costs associated with compliance. Costs to provide personnel to fulfil roles under legislation. No funding provided.

5 *The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.*

Local government is the only employer of home care workers in the Wimmera region. Funding is provided to agencies such as Linkages and Hospitals for the provision of services to clients. Yet the only agency able to deliver the service in the region is local government. The funding is therefore administered twice. Local government incurs costs attracting the funding from the agencies.

Primary Care Partnerships are an example of State government reform on a regional basis. PCP's require local government participation and coordination. Projects are funded but no funding to local government for resources/personnel costs incurred through participation.

Economic Development was funded on a regional basis. Organisations such as the Wimmera Development Association were established on the basis of State government funding. Funding withdrawn – local government has continued to fund.

6 *The findings of the Commonwealth Grants Commission Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee.*

The actual size of the funds is the greatest limiting factor.

Yarriambiack Shire Council has maintained grants for last few years. Population decline in rural areas and increasing population in metropolitan areas and regional cities continues to influence our ability to maintain our share of the pie!