

26 July 2002

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

Submission No: 92

Date Received: 28/7/02

Secretary: Burdell

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



Corporate Centre
Royal Avenue, Sandringham
PO Box 27, Sandringham
VIC 3191, Australia
Phone (03) 9599 4444
Fax (03) 9598 4474
www.bayside.vic.gov.au
enquiries@bayside.vic.gov.au

Dear Sir

Bayside City Council welcomes the opportunity to make a submission to your Inquiry. The submission accompanies this letter.

Bayside Council was created on 15 December 1994 by the joining together of the former Cities of Brighton and Sandringham and parts of Mordialloc and Moorabbin.

Our contribution to the Inquiry covers two periods. The attachments in Part A set out the comparison of Government grants to Bayside's actual expenditure with an additional chart demonstrating that Specific Purpose grants in 2002/3 will represent only 26% of Council expenditure. Service costs are ever increasing with no additional government funding forthcoming. Going back in time the standard base of Government grants was \$2 Government to \$1 Council. The assertion is that growth in expenditure demands is not supported or is inadequately supported by other levels of government.

Part B attachments take a longer term view going back into the time of the predecessor Councils. We do this because the problem of cost shifting has extended for a very long time. We assert that the erosion started at the time the Commonwealth General Purpose assistance grants were introduced in 1974. This assertion is difficult to prove because detailed data is difficult to obtain over such a long period of time. The attached submission explains Council's views.

Council wishes to stress that like most other Councils in this State it has had to raise rates significantly over the last six years. One of the main reasons for this is the long term shifting of costs onto Councils by the State Government by the erosion of grant support. We believe that the State Government should make a contract with Local Government to upgrade grants to the former agreed levels or Councils should be guaranteed an appropriate share of the States GST to ensure that erosion of support does not occur in the future.

Yours faithfully

A handwritten signature in black ink, appearing to read "Tony McIlroy".
Tony McIlroy
CORPORATE MANAGER BUSINESS

Background

Bayside City Council was created on 15 December 1994 by the joining together of the former Cities of Brighton and Sandringham and parts of Mordialloc and Moorabbin.

Although only in existence since 1994 Bayside City Council asserts that the problem of cost shifting has applied for a very long time to its predecessor Councils. We believe that the erosion started at the time the Commonwealth general purpose assistance grants were introduced in 1974. This assertion is hard to prove because detailed data is difficult to obtain over such a long period of time.

However the present position is clear.

Analysis of Bayside data

Attachment A 1 details the level of costs and grant revenue for various subsidised expenditure categories starting with the 1994/5 year through to the current year Budget.

Attachment A 2 is a Chart which compares this years Budget figure of government grant and council total expenditure in actual money terms and then shows the percentage of expenditure made up by the grant.

When totalled together the grants represent only 26% of the Total Outlay.

The Position Since 1974

The Commonwealth Government introduced untied general purpose grants to local government in 1974. It can be asserted that state government support has declined since that time. To prove this point would require analysis of the detail included in above attachments for all councils and over the whole period. This data is not available to Bayside Council.

However we attach two different sets of data and charts.

Extract from the 1986 Annual Report of the MAV (Attachment B)

Page 33 of the Annual Report of the Municipal Association of Victoria includes a very significant chart. This shows that the agreed basis for most State Government subsidies in the post war period was \$2 Government to \$1 Local Government. An analysis was done by the MAV in 1986 of actual costs to subsidies. **This very clearly showed the agreed basis had been reversed and in some cases was three and four times worse. These changes were brought about by the State imposing limitations on its contributions such as wage or other ceilings.**

ABS Data (Attachment B)

Attached are two charts which demonstrate that in the period 1979 to 1999 local government expenditure had increased dramatically in two most subsidised areas of Welfare and Community amenity (B1) while SPPs had maintained their same relationship to local government total revenue (Table B2).

The real problem has been that the demand for Human Services and amenities has grown dramatically over this longer period not only the number of services but also the quality of service, their usage by residents and even the number of councils, which supply those services. In the 1970's not every council supplied services which today are universal. However the state has not matched that growth.

The State Government has limited its commitment to sharing the cost of what has been an explosion in Council costs.

However the State Government is the tier of Government which has the growing share of total Taxation (see Table B3). This will continue as revenues to the States grow from GST arrangements.

CONCLUSION

- 1. A complete review is needed of service delivery and an agreement reached about the appropriate cost responsibilities of all tiers of government.**
- 2. A pact should fix the levels of contributions by all governments. In view of the success of the General Purpose (Untied) grants system of the Commonwealth perhaps local government should receive part of the States share of GST. If not the State Government should agree to a fixed share of the actual cost of service delivery.**

**Bayside City Council
Analysis of Grant Revenue**

	15/12/94 to 30/6/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Budget
Maternal & Child Health									
Grant Revenue	117	173 47.9%	184 6.4%	198 7.6%	199 0.5%	204 2.5%	247 21.1%	252 2.0%	255 1.2%
Total Revenue	125	177 41.6%	191 7.9%	211 10.5%	233 10.4%	233 0.0%	277 18.9%	257 -7.2%	257 0.0%
Expenses	409	746 82.4%	687 -7.9%	674 -1.9%	622 -7.7%	702 12.9%	696 -0.9%	702 0.9%	801 14.1%
Net Cost to Council	284	569 100.4%	496 -12.8%	463 -6.7%	389 -16.0%	469 20.6%	419 -10.7%	445 6.2%	544 22.2%
Expenses less Grant Revenue	292	573 96.2%	503 -12.2%	476 -5.4%	423 -11.1%	498 17.7%	449 -9.8%	450 0.2%	546 21.3%
Families & Children									
Grant Revenue	445	455 2.2%	640 40.7%	607 -5.2%	352 -42.0%	284 -19.3%	381 34.2%	360 -5.5%	390 8.3%
Total Revenue	846	1,244 47.0%	1,305 4.9%	1,273 -2.5%	1,347 5.8%	1,323 -1.8%	1,406 6.3%	1,436 2.1%	1,532 6.7%
Expenses	1,044	1,604 53.6%	1,661 3.6%	1,869 12.5%	1,616 -13.5%	1,623 0.4%	1,754 8.1%	1,701 -3.0%	1,760 3.5%
Net Cost to Council	198	360 81.8%	356 -1.1%	596 67.4%	269 -54.9%	300 11.5%	348 16.0%	265 -23.9%	228 -14.0%
Expenses less Grant Revenue	599	1,149 91.8%	1,021 -11.1%	1,262 23.6%	1,264 0.2%	1,339 5.9%	1,373 2.5%	1,341 -2.3%	1,370 2.2%

**Bayside City Council
Analysis of Grant Revenue**

	15/12/94 to 30/6/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Budget
Traffic Control									
Grant Revenue	75	123 64.0%	100 -18.7%	100 0.0%	100 0.0%	107 7.0%	143 33.6%	113 -21.0%	115 1.8%
Expenses	367	567 54.5%	675 19.0%	715 5.9%	402 -43.8%	400 -0.5%	467 16.8%	453 -3.0%	510 12.6%
Net Cost to Council	292	444 52.1%	575 29.5%	615 7.0%	302 -50.9%	293 -3.0%	324 10.6%	340 4.9%	395 16.2%
Expenses less Grant Revenue	292	444 52.1%	575 29.5%	615 7.0%	302 -50.9%	293 -3.0%	324 10.6%	340 4.9%	395 16.2%
Total Programs									
Grant Revenue	2,312	3,693 59.7%	3,889 5.3%	3,862 -0.7%	3,731 -3.4%	3,757 0.7%	4,075 8.5%	4,306 5.7%	4,561 5.9%
Total Revenue	4,100	5,959 45.3%	5,919 -0.7%	6,135 3.6%	6,325 3.1%	6,377 0.8%	6,807 6.7%	6,905 1.4%	7,445 7.8%
Expenses	8,920	11,735 31.6%	12,934 10.2%	13,866 7.2%	13,857 -0.1%	14,468 4.4%	15,697 8.5%	15,954 1.6%	17,542 10.0%
Net Cost to Council	4,820	5,776 19.8%	7,015 21.5%	7,731 10.2%	7,532 -2.6%	8,091 7.4%	8,890 9.9%	9,049 1.8%	10,097 11.6%
Expenses less Grant Revenue	6,608	8,042 21.7%	9,045 12.5%	10,004 10.6%	10,126 1.2%	10,711 5.8%	11,622 8.5%	11,648 0.2%	12,981 11.4%

**Bayside City Council
Analysis of Grant Revenue**

	15/12/94 to 30/6/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Actual	\$000's Budget
Aged Services									
Grant Revenue	1,093	1,968 80.1%	1,968 0.0%	1,906 -3.2%	2,085 9.4%	2,144 2.8%	2,271 5.9%	2,658 17.0%	3,005 13.1%
Total Revenue	1,668	2,991 79.3%	3,026 1.2%	3,208 6.0%	3,317 3.4%	3,326 0.3%	3,326 0.0%	3,675 10.5%	4,138 12.6%
Expenses	2,261	3,520 55.7%	3,773 7.2%	4,164 10.4%	4,098 -1.6%	3,986 -2.7%	4,372 9.7%	4,585 4.9%	5,528 20.6%
Net Cost to Council	593	529 -10.8%	747 41.2%	956 28.0%	781 -18.3%	660 -15.5%	1,046 58.5%	910 -13.0%	1,390 52.7%
Expenses less Grant Revenue	1,168	1,552 32.9%	1,805 16.3%	2,258 25.1%	2,013 -10.9%	1,842 -8.5%	2,101 14.1%	1,927 -8.3%	2,523 30.9%
Libraries									
Grant Revenue	147	426 189.8%	394 -7.5%	439 11.4%	417 -5.0%	436 4.6%	432 -0.9%	433 0.2%	417 -3.7%
Total Revenue	212	513 142.0%	452 -11.9%	559 23.7%	557 -0.4%	595 6.8%	569 -4.4%	579 1.8%	549 -5.2%
Expenses	1,862	2,321 24.7%	2,210 -4.8%	2,186 -1.1%	2,361 8.0%	2,341 -0.8%	2,491 6.4%	2,566 3.0%	2,724 6.2%
Net Cost to Council	1,650	1,808 9.6%	1,758 -2.8%	1,627 -7.5%	1,804 10.9%	1,746 -3.2%	1,922 10.1%	1,987 3.4%	2,175 9.5%
Expenses less Grant Revenue	1,715	1,895 10.5%	1,816 -4.2%	1,747 -3.8%	1,944 11.3%	1,905 -2.0%	2,059 8.1%	2,133 3.6%	2,307 8.2%

**Bayside City Council
Analysis of Grant Revenue**

	15/12/94 to 30/6/95 Actual	1995/96 \$000's Actual	1996/97 \$000's Actual	1997/98 \$000's Actual	1998/99 \$000's Actual	1999/00 \$000's Actual	2000/01 \$000's Actual	2001/02 \$000's Actual	2002/03 \$000's Budget
Swimming Areas & Beaches									
Grant Revenue	180	72 -60.0%	87 20.8%	104 19.5%	63 -39.4%	88 39.7%	88 0.0%	68 -22.7%	62 -8.8%
Total Revenue	919	435 -52.7%	329 -24.4%	276 -16.1%	256 -7.2%	299 16.8%	573 91.6%	423 -26.2%	537 27.0%
Expenses	1,190	1,326 11.4%	863 -34.9%	780 -9.6%	669 -14.2%	1,079 61.3%	1,508 39.8%	1,275 -15.5%	1,262 -1.0%
Net Cost to Council	271	891 228.8%	534 -40.1%	504 -5.6%	413 -18.1%	780 88.9%	935 19.9%	852 -8.9%	725 -14.9%
Expenses less Grant Revenue	1,010	1,254 24.2%	776 -38.1%	676 -12.9%	606 -10.4%	991 63.5%	1,420 43.3%	1,207 -15.0%	1,200 -0.6%
Local Roads									
Grant Revenue	255	476 86.7%	516 8.4%	508 -1.6%	515 1.4%	494 -4.1%	513 3.8%	422 -17.7%	317 -24.9%
Expenses (inc Capital)	1,787	1,651 -7.6%	3,065 85.6%	3,478 13.5%	4,089 17.6%	4,337 6.1%	4,409 1.7%	4,672 6.0%	4,957 6.1%
Net Cost to Council	1,532	1,175 -23.3%	2,549 116.9%	2,970 16.5%	3,574 20.3%	3,843 7.5%	3,896 1.4%	4,250 9.1%	4,640 9.2%
Expenses less Grant Revenue	1,532	1,175 -23.3%	2,549 116.9%	2,970 16.5%	3,574 20.3%	3,843 7.5%	3,896 1.4%	4,250 9.1%	4,640 9.2%

Bayside City Council

Comparison of Council expenditure and Government grant for selected categories

Attachment A2

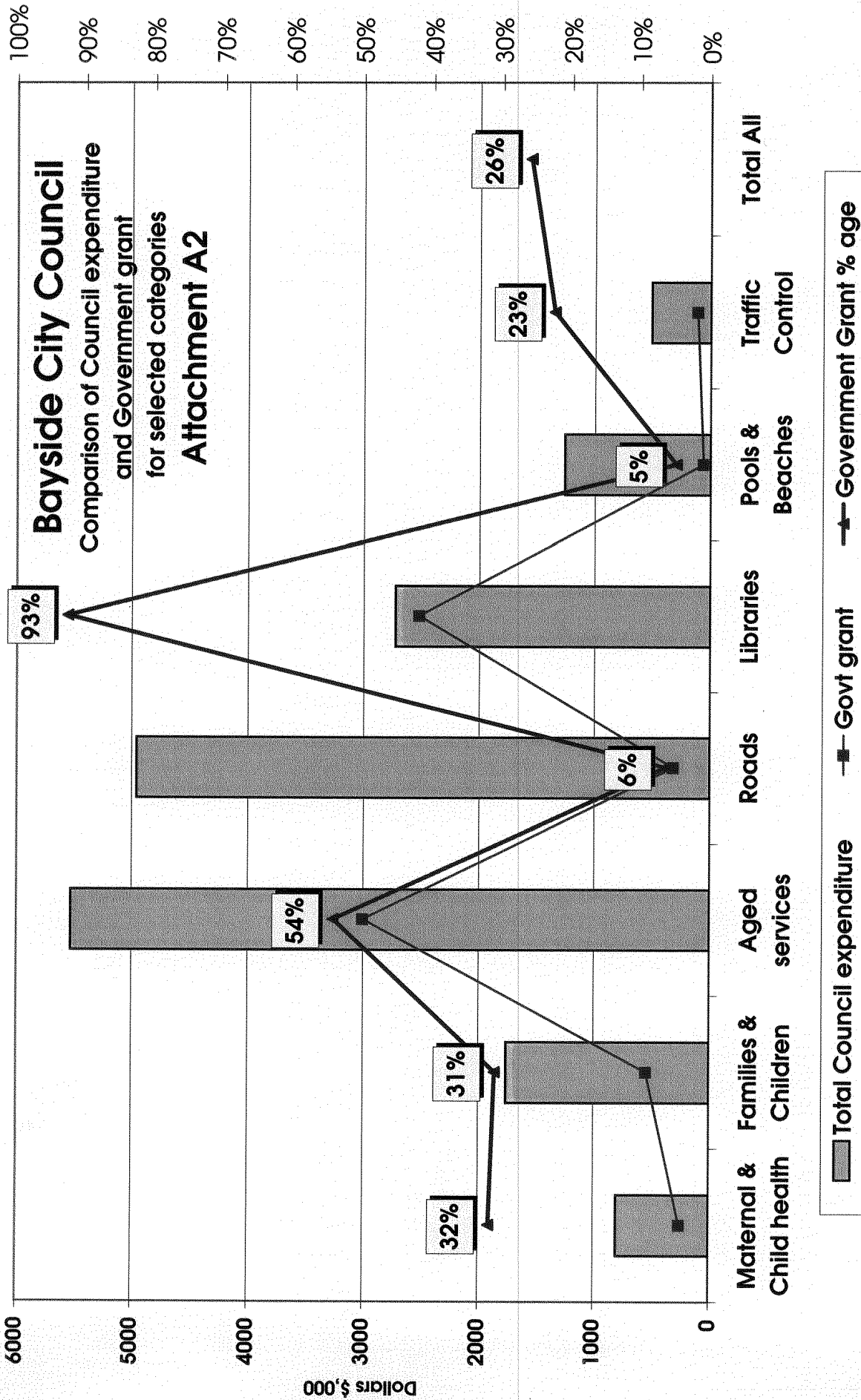


Table D

*Extract from 1986 MAV Annual Report
page 33*

**VICTORIAN GOVERNMENT/LOCAL GOVERNMENT
FINANCIAL RELATIONS
THE CONTRACT HAS BEEN BROKEN**

Service	Original Contract		Present Cost Sharing Ratios	
Libraries (Arts)	State	\$2	State	\$1
	Local	\$1	Local	\$2
Information Co-ordination (Community Services)	State	\$2	State	\$1
	Local	\$1	Local	\$1
Out of School Hours (Community Services)	Commonwealth/State	\$3	Commonwealth/State	\$1
	Local	\$1	Local	\$1
Child Care Centres Capital (Community Services)	Commonwealth/State	—	Commonwealth/State	\$2
	Total Funding	—	Local	\$1
Immunization etc. (Health)	State	\$2	State	\$1
	Local	\$1	Local	\$2
Pre-School Dental (Health)	State	\$2	State	\$1
	Local	\$1	Local	\$2
Home Help (Health)	Commonwealth/State	\$4	State	\$1
	Local	\$1	Local	\$1
Senr. Citizens Centres (Health)	Commonwealth/State	\$2	Commonwealth/State	\$1
	Local	\$1	Local	\$2
Capital Grants various (Health)	Commonwealth/State	\$2	Commonwealth/State	\$1
	Local	\$1	Local	\$4
Beach Cleaning (Local Govt.)	State	\$2	State	\$1
	Local	\$1	Local	\$1
Municipal Recreation Officer (Sports & Recreation)	State	\$2	State	\$1
	Local	\$1	Local	\$3
Municipal Youth Workers (Youth Affairs Office)	State	\$2	State	\$1
	Local	\$1	Local	\$3

Notes

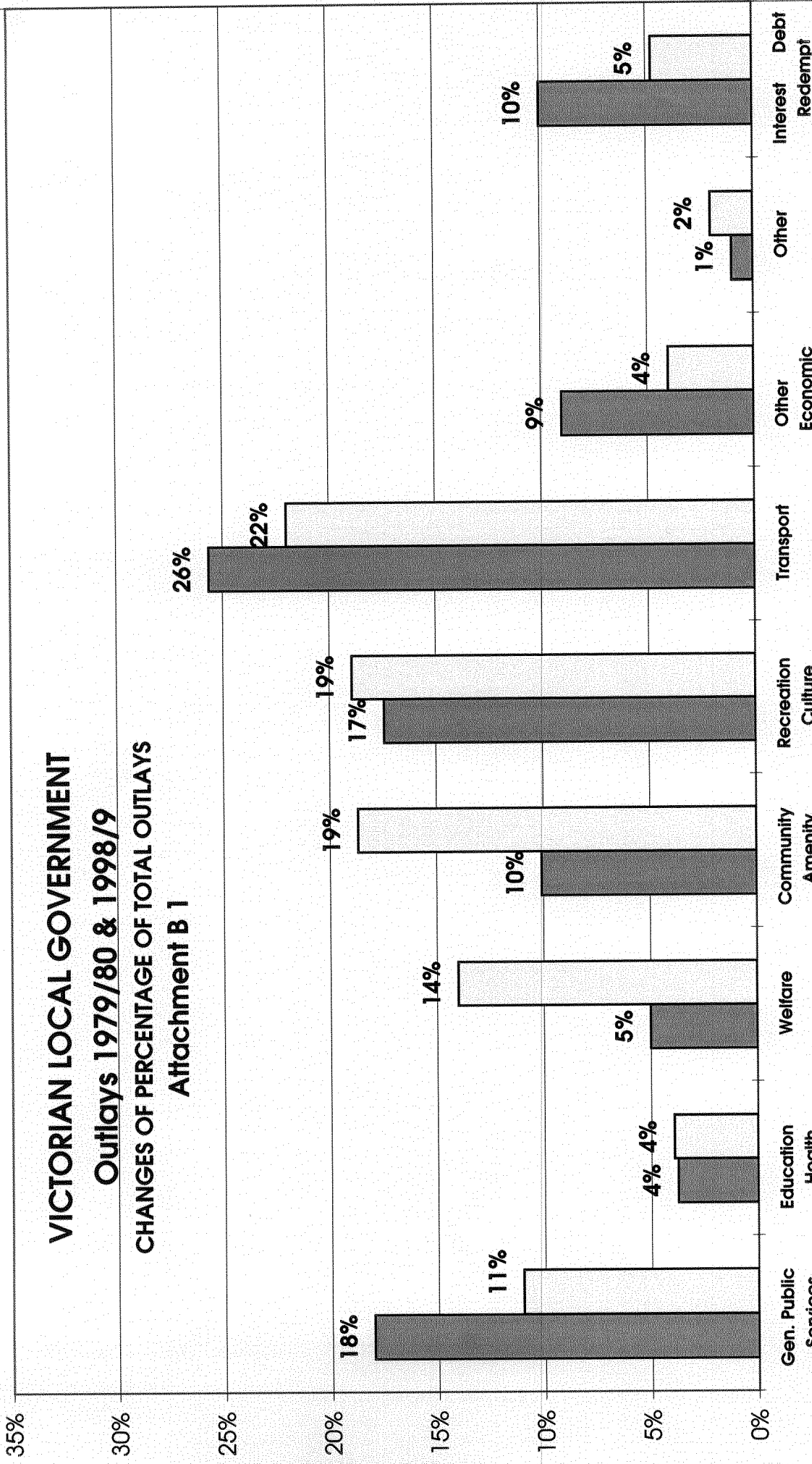
*Extract from 1986
MAV Submission to the Victorian Government
Comparison of subsidy basis between State Government and Councils
1986 and original agreed basis*

VICTORIAN LOCAL GOVERNMENT

Outlays 1979/80 & 1998/9

CHANGES OF PERCENTAGE OF TOTAL OUTLAYS

Attachment B 1

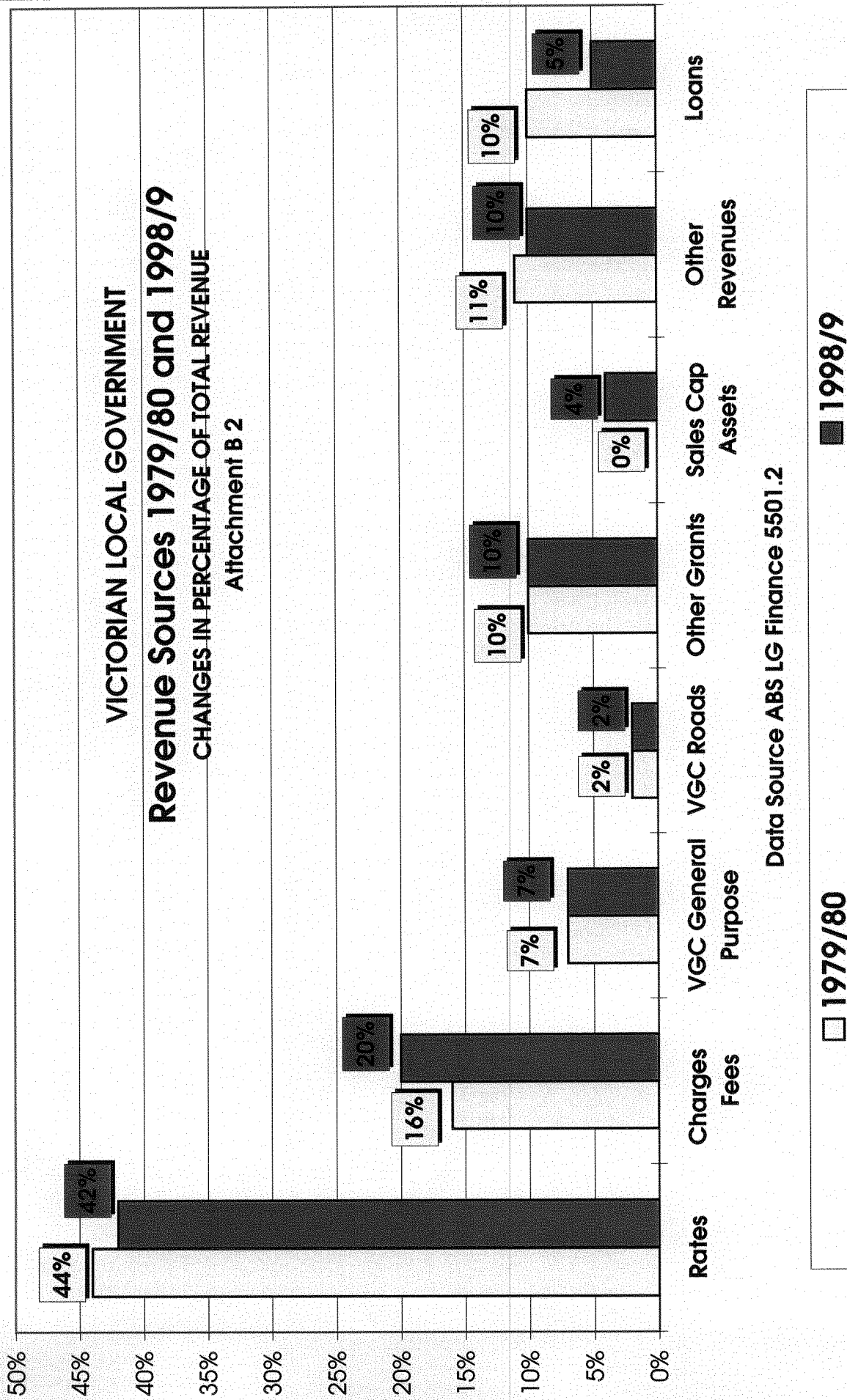


Data Source ABS LG Finance 5501.2

■ 1979/80

□ 1998/9

VICTORIAN LOCAL GOVERNMENT
Revenue Sources 1979/80 and 1998/9
CHANGES IN PERCENTAGE OF TOTAL REVENUE
Attachment B 2



Data Source ABS LG Finance 5501.2

□ 1979/80

■ 1998/9

