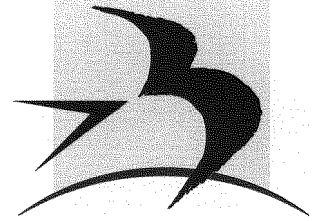


Our Ref: DO:ss
Your Ref:

Contact Officer:
Mr Doug Owens
9490 4209



26 July 2002

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

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

Submission No: 138

Date Received: 26/7/02

Secretary: Bardell

Banyule
CITY COUNCIL



Dear Sir/Madam

Re: Inquiry into Cost Shifting onto Local Government

Introduction

The City of Banyule welcomes the opportunity to contribute to this inquiry. This municipality believes that the issue of cost shifting is one of a number of important issues at the present time that is impacting upon local government. This submission will look at specific instances of cost shifting to the City of Banyule and to Victorian local government in general as well as the relationship between the three tiers of government.

Background on the City of Banyule

Banyule is located between 7 and 21 kilometres north-east of central Melbourne and is made up of 21 suburbs. The City covers an area of approximately 63 square kilometres. The municipality is bounded in the south by the Yarra River and in the west by the Darebin Creek. Banyule has a diverse community of approximately 119,000 residents.

Continued reductions in funding grants from the State and Federal Governments have increased pressure on Council finances and service delivery. While we are continuing to work with the State and Federal Government to maximise our available resources, our major priority is the creation of long-term, flexible program partnerships between different levels of Government. These partnerships will ensure that all levels of government continue to work together to meet the changing needs of our community.

Terms of Reference

1. Local government's current roles and responsibilities

Local government has evolved into much more than just providing services. It is now as much about advocacy, representation, and partnerships as it is about roads, rates and rubbish.

The City of Banyule, like many other councils in metropolitan Melbourne, provides a wide range of services and programs. This municipality provides in the vicinity of 98 different programs and services across environment and infrastructure, community services and planning areas. They range from property to population based services, from waste management to home and community care, town planning to street sweeping. The scope and range of services highlights the complexity of local government and its multifaceted nature. This complexity is often ignored and/or misunderstood by Commonwealth and State governments.

All correspondence to
PO Box 51 Ivanhoe 3079
enquiries@banyule.vic.gov.au
www.banyule.vic.gov.au

Telephone 03) 9490 4222
TTY 9432 7211
Facsimile 03) 9499 1391
DX 97904 Ivanhoe
ABN 16 456 814 549

Service Centres
Greensborough 9-13 Flintoff Street
Ivanhoe 275 Upper Heidelberg Road
Rosanna 44 Turnham Avenue

One of the outcomes of local government amalgamations in Victoria in the mid 1990s is the increase in responsibilities and community expectations for local government. This has put additional pressure on all aspects of policy development and planning, ranging from the implementation of state government planning policy through to other initiatives such as community safety. Victorian local government does have an enhanced policy and community planning role, but there is often little recognition of this from Commonwealth and State governments and no resources for this. The expectation is that local government will fund these programs through its own revenue sources even though it is often responding to policy initiatives and demands from Commonwealth and State governments.

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

In 1996/97, approximately 73 per cent of revenue for Banyule City Council was derived from rates, fees, fines and charges. In the current financial year, Banyule City Council receives approximately 80 per cent of its revenue from these sources. This increase in locally derived funding sources is a direct consequence of a decline in both Commonwealth and State grants, in real terms, and escalating service and program costs. This can be evidenced in the following examples of cost shifting:

a). Home and Community Care Program (HACC)

HACC is the largest specific purpose program affecting Victorian Councils, attracting both Commonwealth and State support.

More recently with demographic changes, government policies such as Ageing in Place, and rising unit costs, the demands for service have increased beyond the funding available leading to a targeting of services to people with more complex needs. The capacity to increase funding from service user fees is limited as the client population is usually on a pension or limited superannuation. Councils in Victoria have increasingly covered shortfalls in funding to maintain service provision.

The HACC program is the largest community service program provided by Banyule City Council. Total expenditure has increased from \$3.4m in 1999/2000 to \$4m in 2002/03, increasing by more than 5% per annum for this period. Banyule City Council has increased its contribution to HACC from 25% to 28% of total income over the past 3 years, as a direct result of declining Commonwealth and State grants.

b). Maternal and Child Health

Traditionally this service has been funded dollar for dollar by State and local governments. In Banyule's case, the situation is even more dramatic. As a consequence of the cost shift in funding, Banyule City Council has needed to contribute more money from its rate base each year to maintain basic services and meet community expectations.

Over the past four financial years, 1998/99 to 2001/02, Banyule City Council funding contribution has increased from 62.2% to 67.9% (this does not include the costs of providing assets and infrastructure) while the State Government's funding contribution has decreased from 37.8% to 32.1%. If infrastructure costs were to be included, Council's contribution would be 77.6% and the State Government's 29.2%.

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.

Banyule City Council believes that regional issues are very important and is an active member of regional groupings on waste management and human services. We will continue to look for service efficiencies with regional councils where it can be clearly demonstrated that there are positive outcomes for the Banyule community.

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.

Maroondah City Council has identified 54 areas that are directly impacting upon the financial capacity of local government due to changes in powers and responsibilities between the tiers of government. This document is endorsed by Banyule City Council and is attached as an Appendix to this submission. It highlights the important issue that compliance with legislative changes, underfunding of new initiatives and direct shifts of responsibility are just as significant as cost shifting.

The issue of cost shifting needs to be seen alongside the revenue raising capacity of local government. The true problem is a fair share of revenue streams from Commonwealth taxation - either through increasing the existing pools of funding or access to growth revenues such as GST. This would help to minimise the growing reliance on property taxation as the overriding source of revenue.

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 exists both to represent and serve its local communities. Banyule City Council has effectively demonstrated this through such achievements as the overall winner of Keep Australia Beautiful's 2002 City Pride Award and consistently rating at the top for community satisfaction with council performance for the inner ring of metropolitan councils in Melbourne.

Banyule City Council would like further investigation of the roles and responsibilities between the levels of government for two reasons. Firstly, there is evidence of duplication and unnecessary competition in a number of services and programs. This is most evident in community care, where the Commonwealth's Community Aged Care Packages(CACP's) are seemingly in competition to the Linkages Program funded through the State Government. There are opportunities to reduce administration costs at Commonwealth and State levels in order for more program funds to be directly targeted to local communities.

Secondly, there is now a very strong argument that wherever possible government functions should be performed by the sphere of government closest to the people. This is known as the principle of subsidiarity. There will continue to be many advantages in utilising local government to deliver a range of programs however this cannot be separated from the existing financial constraints faced by municipalities.

6. The findings of the Commonwealth Grants Commission (CGC) 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.

Banyule City Council contends that declining grants in real terms from both the Commonwealth and State Governments is having a significant impact upon its financial capacity. The municipality has little choice but to increase its own sources of revenue, principally through rates, to address this funding shortfall. In recent years, this has resulted in major pressures upon all areas of expenditure, for planning and service delivery and capital works expenditure for infrastructure renewal. An immediate way of responding to this issue is for both the Commonwealth and State Governments to increase the available funds through the existing grant pools.

Conclusion

In summary, Banyule City Council acknowledges that cost shifting is impacting upon its financial capacity and at the broader level to Victorian Local Government. Commonwealth and State governments require a stronger appreciation of the multifaceted roles and responsibilities of Local government in order to understand fully the financial predicament faced by numerous municipalities. Whilst Banyule City Council is in a sound financial position compared to many other municipalities there is a limit to how much local sources of revenue can be relied upon to fund the increasing cost of local planning, service delivery and infrastructure renewal and development. We look forward to positive steps by Commonwealth and State governments to respond to this issue.

Should there be any matters in this submission that you would like to discuss or require more information please contact me on Telephone 9490 4209.

Yours sincerely



DOUG OWENS
Chief Executive Officer