

Mildura Rural City Council

ANALYSIS OF THE IMPACT INTO COST SHIFTING

1 SUMMARY

An analysis of operating grant support from Commonwealth and State Governments reveals a significant reduction in grant support, with grants reducing both in real terms, and as a percentage of operating income and expenditure. This represents a shift in the cost burden of Council's operations from the State to the local community.

2 OVERVIEW

An analysis has been undertaken of the total operating grant support received from various tiers of Government, in order to identify whether there has been a change in the burden placed on the local community in undertaking the normal operations of Council.

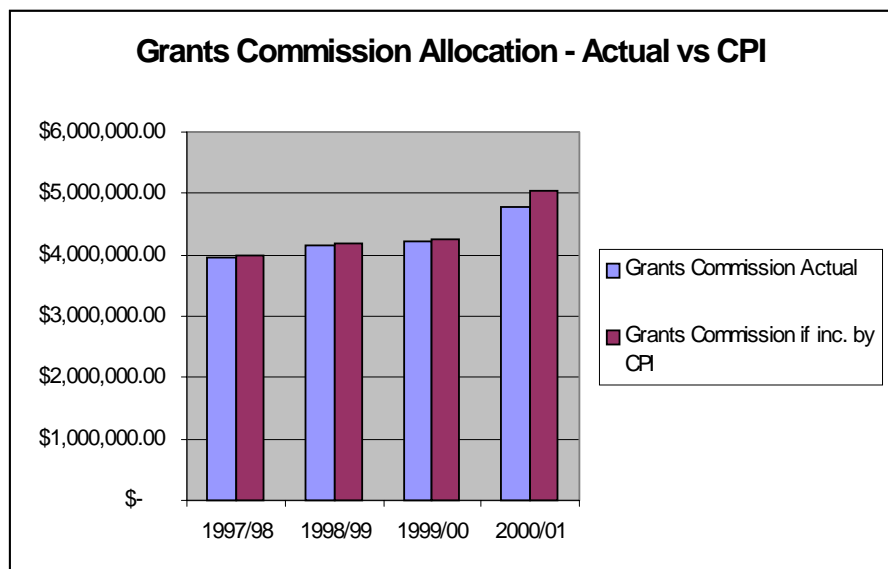
3 SPECIFIC GRANTS

The following graphs depict the level of operational support provided by the various tiers of government in relation to the total costs associated with operating the various services.

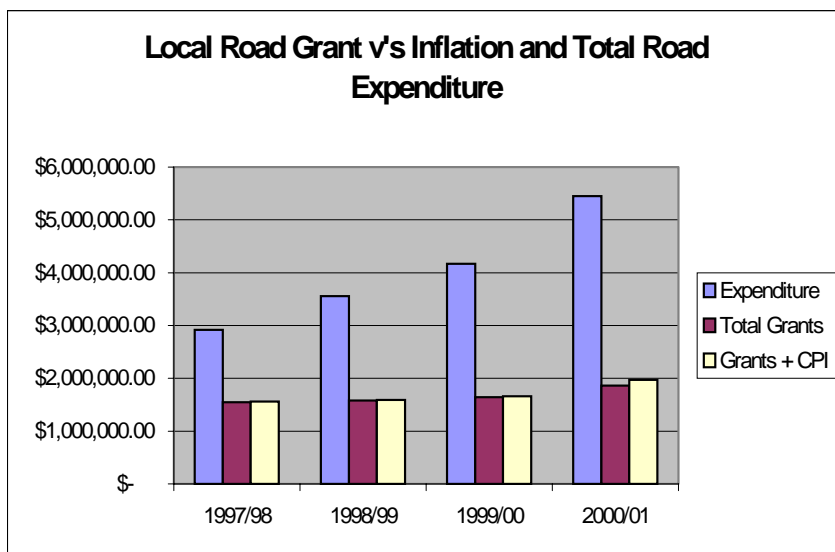
3.1 Grants Commission Allocation

The biggest operating grant received by Council is the Victorian Grants Commission Allocation, a general purpose grant of some \$4.77 million in 2000/01

If this grant had increased with inflation, it would represent some \$5.057 million in 2000/01, an increase of \$286, 288 from the actual grant received



3.2 Local Road Grant



In addition to the General Purpose Grant, the Grant’s Commission also funds a Local Road Grant, to provide support to Council in maintaining local road infrastructure. This grant was some \$1.86 million in 2000/01

Whilst Council’s current expenditure on roads is increasing, the current rate of expenditure on roads is not enough to maintain the existing road network.

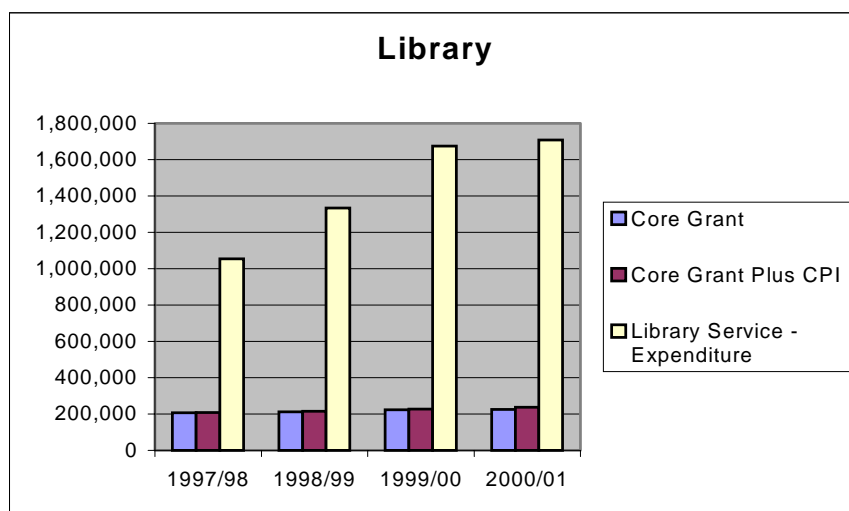
Even though this grant has been increasing in excess of inflation, the gap between the current rate of expenditure and the grant is also significantly increasing. In 2000/01 this gap represented approximately 66%.

Please see Appendix A & B for a presentation and report prepared by Mildura Rural City Council that further highlights deficiencies in our ability to maintain roads.

3.3 Library

This graph shows the operating grant received for Library operations has only risen by 8.8% over the four years

Operating expenditure for Library Services has increased by 62% over the four years from \$1,054,323 in 1997/98 to \$1,707,980 in 2000/01.



Operating grants fell from representing 19.6% of total Library income in 1997/98 to being 13.1% in 2000/01.

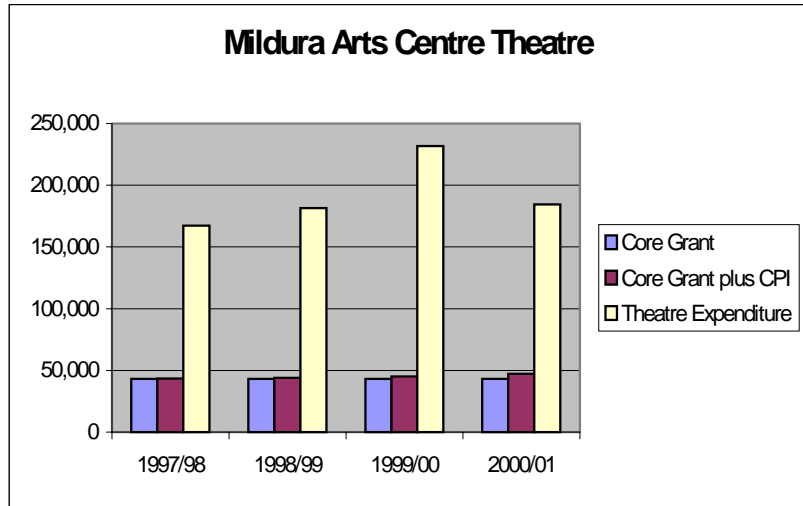
Had operating grants kept pace with inflation, we would have received \$237,849 in 2000/01, \$13,186 more than the actual grant

3.4 Mildura Arts Centre Theatre

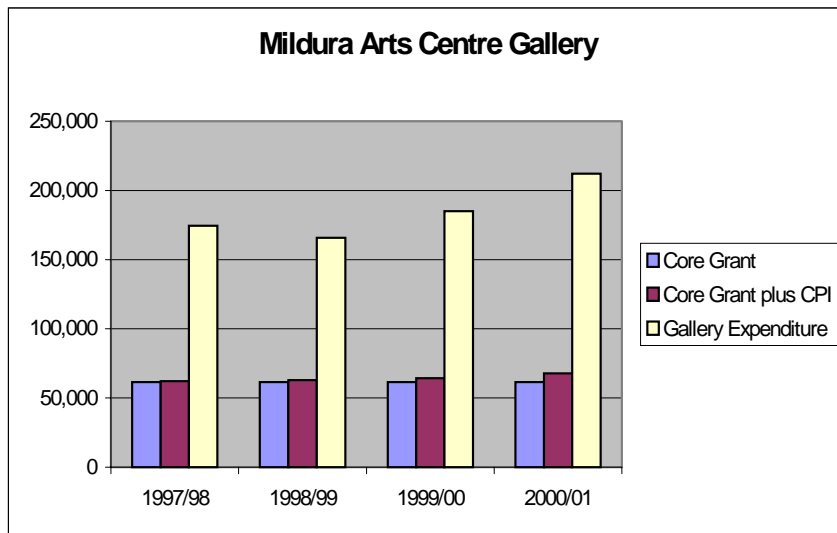
Operating grants have not increased from \$43,000 in 1998.

Had operating grants risen with inflation, it would be \$47,344 in 2000/01, a variance of \$4,344.

Operating expenditure has been increasing over the four years with a significant increase of 28% in 1999/00 attributable to an increase in maintenance costs.



3.5 Mildura Arts Centre Gallery



Mildura Arts Centre Gallery grants have remained unchanged at \$61,500 over the four years.

Had these grants kept place with inflation they would be at \$67,713 in 2000/01

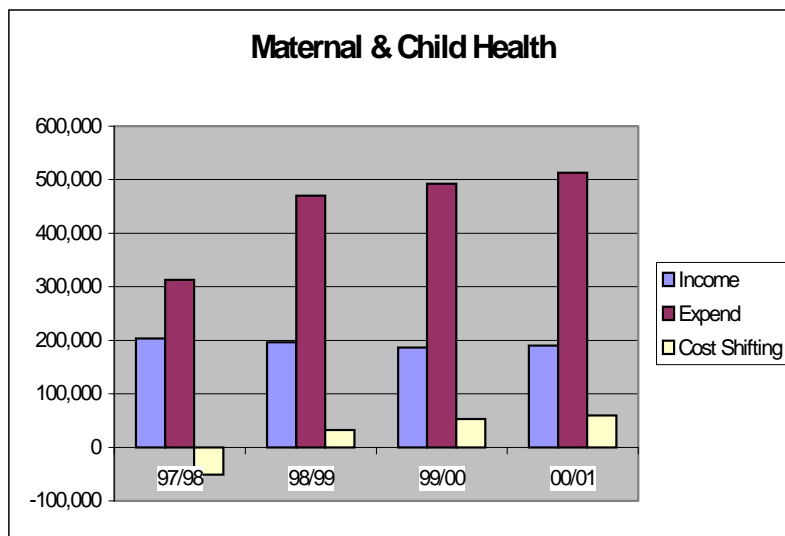
Operating expenditure for the gallery has also risen significantly over the four years from \$174,429 in 19997/98 to

\$212,219 in 2000/01. This represents an increase of almost 22%

3.6 Maternal & Child Health

The State Government has used the same base hourly cost rate of \$45.40 for Maternal & Child Health funding since 1997/98.

The Memorandum of Understanding (MOU) established in 1997/98 was based on the premise that the split for funding would be 48.7% from the State Government and 51.3% for Local Government. Actual Government funding has not reached anticipated levels, and as a result Council has been required to pick up the shortfall.



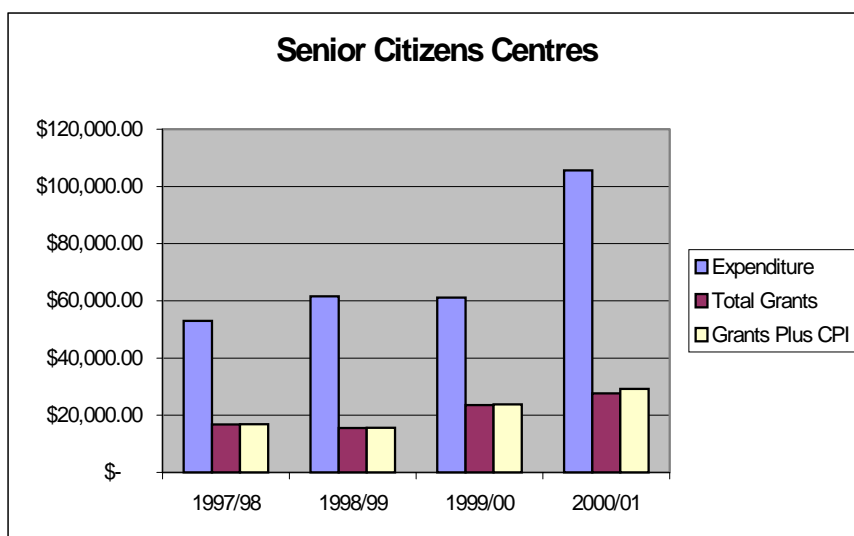
Cost shifting (as represented by the yellow bar) represents the shortfall in anticipated funding Council had expected to receive over the four years. Whilst 1997/98 saw an increase in the expected amount of funding received, the following years have seen a shortfall in expected funding at an increasing rate.

There has also been a significant increase in operating expenditure of 64% over the four years.

3.7 Senior Citizens Centres

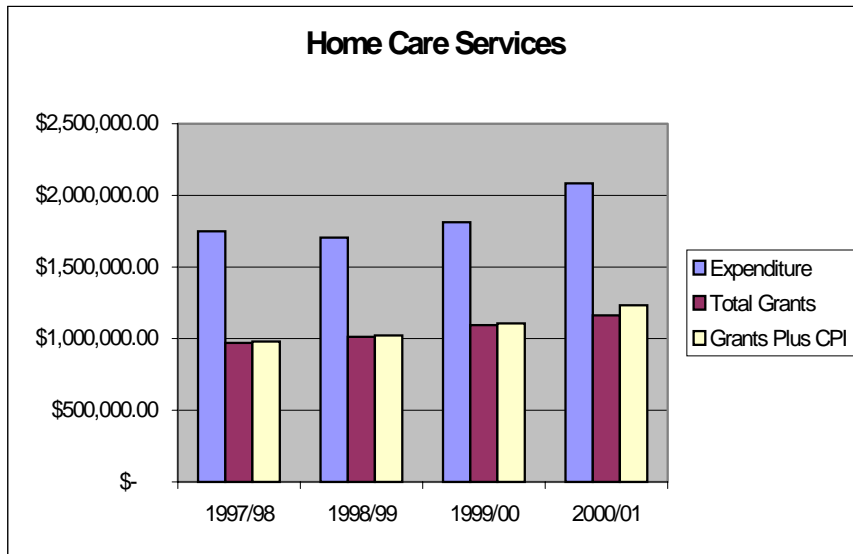
Senior Citizens Centres grants have increased over the four years with the gap remaining relatively stable, averaging around 69.5%

Had operating grants kept up with inflation, grants for 2000/01 should have been \$29,263.



This represents a variance of approximately 6%.

3.8 Home Care Services



Home Care operational grants have increased almost 20% over the four years from \$970,355 in 1997/98 to \$1,162,37 in 2000/01

Expenditure for HACC services has remained relatively stable with Councils contribution averaging out at approximately 42%.

Had operating grants kept pace with inflation, they would be \$1,231,971 in 2000/01, \$69,734 more than the actual grant received.

4 CONCLUSION

Financial implications for Mildura Rural City Council is significantly reduced Government support for Council to maintain services, resulting in a shifting of costs from the Government to the local community.