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THE SECRETARY
HOUSE OF REPRESENTATIVES ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION COMMITTEE
PARLIAMENT HOUSE
CANBERRA ACT 2601

20 September 2002

File No: G182-01-01

Dear Committee Members

Re: House of Representatives Inquiry into Cost Shifting onto Local Government

As tempting as it might be to use this submission as an opportunity to say, "Poor us, look what has happened to us, what are you going to do about it", there is more to gain in acknowledging that cost shifting and increasing community expectations are worldwide phenomena and our experience is no different.

What the City of Greater Geelong is looking for is an honest and frank assessment of the relationships between various levels of government, the respective roles and responsibilities, the options for funding arrangements and a shared understanding of the model most appropriate to move forward. All this whilst keeping in mind the need for flexibility to meet the challenges of the future.

It would be presumptuous of us to suggest what that model might be given that there are many organisations who are party to these relationships and we need to consider the realities and trends for all. Suffice to say we are willing to contribute to that discussion.

Important to acknowledge also is the influence of party politics on the role of government and policy. However, there is essentially agreement between the parties that government has a number of functions to perform regardless of actual policy. It is the matter of who performs those functions and how they will be funded that we are interested in.

What follows is a brief outline of the City of Greater Geelong's experiences of cost shifting, confirming the universality of local government issues.

The City looks forward to working with other levels of government to achieve the very best for our community. Our aim is to build resilience in our people, resilience to whatever changes lie in our future. We want to demonstrate that same resilience as a government body.

Thank you for accepting our submission.

Yours sincerely

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House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	285
Date Received:	26/9/02
Secretary:	Padell

Attach: Submission

Submission to House of Representatives Inquiry into Cost Shifting onto Local Government

Introduction

The City of Greater Geelong acknowledges the intent of both Federal and State governments in supporting the capacity of local government to be the mechanism for implementing locally driven initiatives. It is a laudable aim and demonstrates real concern for the unique needs of each community and encouraging the development of local leadership.

The reality however, and local governments overseas have the same issues, is that increasing pressure to deliver these initiatives is difficult when there are growing expectations from the local community and financial restraints.

In 'Accelerating Pressures: A confluence of forces'¹ KPMG concluded that governments are faced with new, more demanding expectations from "customers" whether they be residents, taxpayers, employees or levels of government. These expectations centre around the pressure for greater choice, higher quality of service, convenience and responsiveness, at lower costs.

The report noted that new technologies have put an emphasis on speed. "People expect real-time response, 24 hours a day, seven days a week." Important too is the expectation that the public's privacy will be protected, that systems are secure, that levels of government talk to one another.

In relation to the political landscape the report notes that the following trends are intensifying:

- A growing distrust
- A leadership gap
- An unwillingness to add to the tax burden
- The shifting of responsibilities to the local level and nonprofit sector

The report argues however that there is 'a more subtle change in the role information technology plays in changing people's perceptions, expectations and actions'.

Two surveys conducted in the U.S. identified a growing segment of the population: the "Digital Citizen" or "wired worker". What characterises this group is that they regularly use computers, work in teams and do on-the-job problem solving. What is of interest to us is that this group is often knowledgeable and committed to change.

According to the surveys this group:

- Want to hear about the future, rather than linger in the past or even the present
- Have tremendous faith in democracy, yet are cool to the two-party system
- Put more faith in business and technology to solve problems than in government or their elected representatives
- Don't believe in government regulation
- Are searching for principles and the leaders who exhibit them, rather than a program
- Expect to be heard, not just talked to

The KPMG report concludes that what this group expects of government is "value," both in terms of service delivery and conduct. In this environment, governments not only need to perform at a higher standard, but must also be able to measure and communicate that performance to the public.

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This then is the growing reality for governments across the world and needs to be considered when talking about the future roles and responsibilities of each level of government.

Another point that should not be lost is that to the consumer, it does not matter which level of government is delivering the service so long as its there when she or he needs it. What they do expect is an intimate knowledge and understanding of their requirements.

Further trends for consideration when examining our future roles include:

- The majority of the population will be significantly older.
- The population will be increasingly diverse.
- A new definition of family has emerged.

What then are the services all levels of government will be offering in 10-20 years time?

Whatever they are we remain convinced that local government has the potential to be the most responsive to individual and changing needs and has the greatest capacity for strategic alliances with related service providers in the local community. Local government also is the body with the most intimate knowledge of all the resources that make up the region, whether environmental, human or fiscal, how those resources can be maximised and what sort of mix is the most sustainable.

What Has the City of Greater Geelong experienced?

Increasingly the City has depended on its own sources of revenue to manage the progressive decline in Federal and State grants as a proportion of tax revenues since it's amalgamation in 1994. Whilst a mix of avenues for raising funds have been used, our community is finding it difficult to marry the costs they incur with an overall perception of value. The City find itself in the unenviable position of needing to maintain increases to fund those services it is expected to deliver and reaching a fiscally responsible position where the majority of debt has been retired whilst managing this perception of value and coping with structural barriers to revenue raising.

Infrastructure maintenance and renewal has been a prime concern, as with many other local governments. Our Council's philosophy of 'back to basics' has seen a shift in funding to increase the level of activity in this area. However, we believe that more could be done to assist Councils in formulating a program that addresses the real time needs for maintenance and renewal rather than the lag time approach of the past.

The City of Greater Geelong has taken on the challenge of competing on a global scale and transforming itself to become a globally recognised City. Our strategy for the future relies on great infrastructure. Examples of partnering between levels of government to ensure this is possible have been evident in recent years and we would like to see these partnerships not just continue but strengthen.

For both the private and public sector, the expectation of faultless governance practices has been exponentially growing. Some of these practices have been taken on voluntarily, whilst others are as a result of compliance with Federal or State regulations. The City notes that the private sector has powerful capacities to state their case for ensuring that such calls for compliance recognise the realities of the competitive business environment. The City does not believe that local government is

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afforded the same advantages at present but is eager to ensure that there is opportunity in the future to recognise and manage expectations of compliance.

Cost Shifting

As mentioned earlier, the KPMG report "Accelerating Pressures: A confluence of forces" comments on perceived cost shifting in the U.S. between levels of government and the rise in expectations of the public. Interviews conducted by the researchers found that many public officials are increasingly frustrated. "State officials are frustrated by the federal government passing down responsibilities without corresponding funding, just as local officials are frustrated by the state pushing responsibilities to their jurisdictions, where "the rubber meets the road." Both are feeling the squeeze between the resources available for particular functions and the level of service expected. State and local government leaders do not feel that they have the resources to perform well in their current responsibilities—let alone the additional roles they are expected to assume."

It is a common experience and the following details some of the areas in which the phenomena has touched the City of Greater Geelong.

Issue	Status	Estimated Cost
Family Day Care <ul style="list-style-type: none">- The operational funding formula has remained the same for the last 10 years. Previously, most care was full time. Now the trend is part time with 90% of families using under 38 hours per week. The formula does not acknowledge this change nor does it acknowledge that it takes the same amount of administration time to place a full time child as it does a child who requires 1 day of care.- Administration of Child Care Benefit: The administration of fee relief now known as Child Care Benefit has increased the workload of staff. This was identified in a recent "Value Creation Workshop" run by Centrelink where all schemes represented reported that administration of CCB had greatly increased workloads.- Quality Assurance. QA has been taken embraced by the City's FDC staff. However it should be recognised in funding formulas that there is additional workload required.- Care Providers have not been acknowledged.<ul style="list-style-type: none">- Home visits times have doubled to support Care Providers.- The Quality Practices Guide (the underpinning document) has only been printed in English, leaving services to pay for translations.- Additional training of Care Providers, meaning more overtime hours/TIL for staff who are facilitating sessions.- Additional expenses in informing all parents and Care Providers through newsletter mailouts, compulsory surveys, written supporting documentation etc.	Under funded Compliance Under funded Compliance Under funded Under funded Shift	\$500K

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<p>Maternal Child Health</p> <ul style="list-style-type: none"> - State Government funding has considerably reduced proportionally over the last five years. The State has increased the rate per nurse hour since 1997/98 by 1.2% in 2000/2001 and 1% in 2001/02. These adjustments have taken the funding rate from \$22.11/hour to \$22.45/hour. - Capital funding is no longer available from State Government for the building or renewal of buildings for Maternal & Child Health Centres or for Kindergartens. This was previously addressed in partnership with the State. <p>Aged & Disability Services</p> <ul style="list-style-type: none"> - Lack of residential beds in the region mean that people are being forced to remain in the community using HACC funds. - Lack of Community Aged Care Packages in the region. - Long history of \$ to disability and respite agencies and other health services rather than Local Government (HACC). - The policy of fast tracking people through the Hospital system and back home means the HACC service, in some instances, is expected to pick up their service needs. - There is an expectation that HACC will continue the provision of care after Programs such as Post Acute Care and Hospital in the Home have completed their 4-6 weeks. 	<p><i>Shift Under Funded</i></p> <p><i>Under Funded</i></p> <p><i>Under funded</i></p> <p><i>Shift Under funded</i></p> <p><i>Shift Under Funded</i></p>	<p><i>Service Cost \$50/hr</i> <i>Gap - \$27.55/hr</i></p> <p><i>Potential is large</i></p> <p><i>\$3.3m</i></p>
<p>Preschools</p> <ul style="list-style-type: none"> - Capital costs for establishing new facilities are no longer available. Previous contributions from the State were in the vicinity of 30%. - Organisations for the coordination and support of pre-schools e.g. Geelong Kindergarten Association are not State funded yet the State funds the operation of preschools. 	<p><i>Shift Under funded</i></p>	<p>Present - \$260k Potential Large</p>
<p>Community Development</p> <ul style="list-style-type: none"> - Capital or seeding funding is made available to communities by the State government but no ongoing operational funding. - Council is expected by the State government to make a contribution of matching proportion for capital project funding e.g. funding of the Courthouse Project; Geelong Art Gallery. - State funding for Neighbourhood Houses is limited to 15 hours of coordination. 	<p><i>Shift Under funded</i></p>	<p>In excess of \$500k</p>
<p>E-Business</p> <p>State and Federal Government initiatives are pushing for the introduction of Local Government On-Line Services and other programs and providing some funding, yet resourcing (hardware, software and communications maintenance) these services adds another pressure on the recurrent budget..</p>	<p><i>Under fund Shift</i></p>	<p>\$150k</p>
<p>Valuations</p> <p>Valuations are now required every two years instead of every four years. This has the potential for revenue increases for State government through land taxes but few advantages for Council. The amount of information</p>	<p><i>Compliance Under fund</i></p>	<p>\$300k</p>

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required to be collected during the valuation has also substantially increased.		
Property Council leases and maintains buildings to a range of users at less than commercial rents that would not be considered part of the Council's core business including special residential, student residential, education and welfare.	<i>Shift</i>	\$250k
School Crossings	<i>Shift Under funded</i>	\$500k
Rescode	<i>Compliance Under funded</i>	30% increase in costs
Planning Permits Fees are inadequate to cover full costs. Number of Appeals has increased	<i>Compliance Under funded</i>	200% increase in appeals
Implementation of the Food Act	<i>Compliance Under funded</i>	\$200k
Mosquito Control on Crown land	<i>Shift Under funded</i>	\$110k
Waste minimisation and recycling	<i>Compliance</i>	\$48 increase per rateable property
State Landfill Levy	<i>Compliance</i>	\$500k increase
Disability Discrimination Act	<i>Compliance</i>	\$200k
Crime, Safety, Graffiti, Drugs	<i>Shift Under funded</i>	\$500k
Unfunded superannuation liability	<i>Compliance</i>	\$14m

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Other Cost Shifting or Compliance Issues

All Services Increased service provision in some areas generally has an IT component that is rarely funded (e.g. new equipment, software applications, licenses).	<i>Flow On (Indirect)</i>
GST The GST legislation for Councils is complex, Status as a GST exempt organisation would have been simpler.	<i>Compliance</i>
Pensioner Rebate scheme Administered on behalf of the State. Re-validation requirements include home visits to pensioners. Considerable time has been spent responding to ratepayer concerns as to why the Rebate has not increased.	<i>Compliance Under fund</i>
Infringement Collection Unpaid infringements are required to be registered via the Perin court which attracts court costs up front rather than on collection.	<i>Compliance Flow on</i>
Project Management There is an increasing trend for the State to provide funding for projects and Council manages the project eg: - TXU Gas pipeline funding contribution - Geelong Transport Interchange - Foreshore Erosion	<i>Shift</i>
Crown Land Management Formerly managed directly by Department of Natural Resources and Environment and Parks Victoria. Maintenance costs far exceed income gained.	<i>Shift</i>
Privacy Act and Health Records Act - establishment of compliance systems – also ongoing costs	<i>Compliance</i>
Whistleblowers Act - establishment of compliance systems – also ongoing costs	<i>Compliance</i>
Insurance for Not for Profit organisations - establishment of scheme is reliant on Councils providing risk management instruction etc.	<i>Extra Cost</i>
Non Feasance and Roads Removal of non-feasance immunity has seen a significant increase in insurance costs, inspection and maintenance costs. The reluctance to legislate to reinstate immunity leaves Councils exposed to potential costs	<i>Extra Cost</i>
Coastal Committees of Management	<i>Shift Under funded</i>
Pest control [weeds and critters] on private, public and crown land	<i>Shift Underfunded</i>
Animal Registrations	<i>excess levy</i>
Parking - state facilities	<i>shift / under funded</i>
Pool Safety	<i>compliance / flow-on</i>
Building Fire regulations	<i>compliance / flow-on</i>
Building surveyor inspections	<i>compliance / flow-on</i>
Consent & reporting - buildings	<i>shift / under funded</i>
Increased audits of building surveyors	<i>compliance</i>
Inspections - sewage and water	<i>shift / flow-on</i>
Private surveyor complaints	<i>shift</i>
Liability Insurance - private surveyors	<i>shift / under funded</i>

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Lodgement fees for building permits	<i>under funded</i>
Regulation of Liquor licenses	<i>shift / under funded</i>
EPA noise	<i>shift</i>
Tobacco	<i>compliance</i>
Emergency responses to environmental incidents	<i>Shift / under funded</i>
Waste Water Management audits	<i>Shift / under funded</i>
Economic development	<i>compliance / shift</i>
State Landfill Levy	<i>compliance</i>
Asset renewal	<i>under funded</i>
Public lighting	<i>shift / under funded</i>
Road safety / Black Spot Funding	<i>shift / under funded</i>
Road reserves	<i>shift / under funded</i>
Land adjacent to freeways	<i>shift / under funded</i>
Open Space	<i>shift / flow-on</i>
Leisure services	<i>under funded</i>
Library grants	<i>shift / under funded</i>
NCP and Competitive Neutrality	<i>compliance</i>
Best Value / KPI reporting	<i>compliance / under funded</i>