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

Submission No: 161

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Secretary: *Burdell*

31 July, 2002

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

Dear Sir/Madam

Re: Inquiry into Local Government and Cost Shifting

Frankston Council has over a number of years been concerned with the slow but progressive creep in the cost shifting arrangement from State to Local Government, as well as from the Commonwealth to Local Government.

It welcomes this enquiry and its submission will concentrate on the second terms of references, namely the current funding arrangements between local government and other tiers of government.

With all activities which are partly or fully funded by government, there is a continual tension on part of local government to maintain an equitable level of specific government funding for each of the services funded.

At the inception of any programme, it is normal that an equitable funding arrangement is agreed upon. The first issue that arises with any such arrangement, is that the market and/or the cost structure of a programme invariably changes over time and as the service provider, Council needs to reflect any changes in the service it provides. However, state or federal governments are sheltered from such changes and their primary motivation is to preserve their financial resources and to continue to fund the service at previous levels, oblivious of the need to consider any readjustment to their funding levels.

A classic example is the Home Help Service, which commenced on the understanding that local government's contribution would be 20%, after taking into account user charges. However, over time, the work force has become more professional, demand for the service locally has grown significantly and with each of these new developments, Council has had to shoulder most of the added financial burden, rather than the auspicing government agency. Currently, this Council's share of the cost has risen to 43%.

The second major difficulty with government grants funding is the status of local government with the Australian government framework.

Local Government is not formally recognised by the Federal Government as it has no part in the Australian constitution and within the State context, it is a creature of state legislation. It is powerless to prevent changes to many of the funding formulae for the various services to their own benefit. In many cases, this takes the form of eliminating any form of growth in funding levels, which works to the auspicing government agency's advantage, as it ensures



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that a service continues, and lessen their own financial contribution in supporting the service. For example, previously libraries were funded on a 50/50 basis, but the formula was changed to an essentially per capita grant, with the indexation for cost increases falling short of the CPI. The result is that the State Government's contribution to the Frankston Library service is now only 23%. Local Government is powerless to prevent any such changes in these funding arrangements.

Attached is a copy of a report prepared in February 2001 by Mandy Gatliff, Council's Human Services Manager, detailing issues with maintenance of infrastructure for the Department of Human Services funded programs. The issue this paper highlights, is the dominance of the state and federal governments in their financial relations with local government.

The third area of concern is the continual cost shifting associated whenever governments either fails or under-resources a service which it provides to the community, expecting local government to pick up the shortfall.

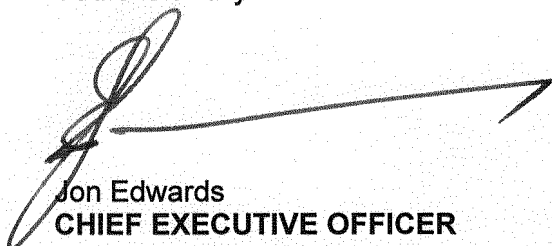
An example of this is the current community safety concerns, with the federal authorities under-resourced and unable to prevent drugs being imported into Australia and state authorities also under-resourced and unable to tackle drug distribution. The end result has been that local government has had to carry a significant financial burden in implementing community safety programmes in an attempt to address the actual and perceived level of unsafeness.

There are many other instances where government agencies are failing in their responsibilities, such as providing inadequate maintenance on arterial roads.

In spite of these shortfalls in municipal government financial relations, Frankston City is generally favourably disposed to the general assistance grants provided by the Commonwealth and administered by the Victoria Grants Commission. These grants are reasonably predictable in the longterm and the formula used in its calculation ensures that the level of grants increase each year in terms of inflation as well as population.

Hoping this assists in your deliberations

Yours faithfully



Jon Edwards
CHIEF EXECUTIVE OFFICER

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