

SOUTHERN GRAMPIANS SHIRE COUNCIL

SUBMISSION TO

**THE HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS,
FINANCE AND PUBLIC ADMINISTRATION**

INQUIRY INTO

**COST SHIFTING ONTO
LOCAL GOVERNMENT**

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

Southern Grampians Shire Council was formed in September 1994 by the amalgamation of the former Shires of Dundas, Mt Rouse and Wannon and the City of Hamilton.

The Shire is located in the Western District of Victoria and supports a population of 17,153 residents within a total area of 6,700 square kilometres.

The major population centre of Hamilton (population 9,455) is central to a number of smaller centres in the Shire and an extensive and varied agricultural sector.

Industries include agriculture/horticulture, processing, manufacturing, research and development, engineering, retail, tourism, education, aged and community services.

It should be noted that in responding to the Inquiry into cost shifting onto local government, this Council also supports and endorses the submission made to the Inquiry by the Municipal Association of Victoria which presents an overall Victorian local government response to the range of issues under discussion.

Southern Grampians Shire has experienced similar impacts of cost shifting onto local government as experienced by other municipalities, particularly in Victoria and therefore it is not proposed to address the full range of impacts evident.

TERMS OF REFERENCE

1. *Local Government's current roles and responsibilities*

The Council delivers a diverse and extensive range of services to its urban and rural communities including the management of a large road network, provision of extensive community services, property-related services, Performing Arts Centre, Libraries, Regulatory Services, Leisure and Recreation Facilities, Art Gallery, Tourism and Economic Development activities.

The council is now delivering a broader range of services than ever before particularly in areas of economic and social development and the environment.

The continuing delivery of this range of services is very dependent on Commonwealth and State Government funding at enhanced levels.

The demands and expectations of local communities have increased greatly in the last twenty years placing increased financial pressures on local government.

In a total budget of \$22 million external grant funding comprises almost 43% of revenue indicating the significance of Commonwealth and State Government funding to Council.

2. *Current funding arrangements for local government, including allocation of funding from other levels of Government and utilisation of alternative sources by local government.*

Current funding arrangements would now be well known to the Inquiry.

A major issue for local government is the inadequate allocation from the Federal Grants Commission and the lack of a growth component in this allocation or the access of local government to a tax that grows in line with the general growth of the economy. Information received from the Victoria Grants Commission indicates that the Federal Grant allocation to Victoria has decreased in real terms.

The three spheres of government should be encouraged to address the use of existing funding streams more equitably. Clearly the growth in councils main sources of revenue has been unable to match the increasing roles and responsibilities expected of local government by its communities and other spheres of government.

Grants Commission revenues to local government and funding for road infrastructure need to be substantially increased or local government be given access to growth taxes.

3. *The capacity of local government to meet existing obligations and to take 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*

Councils in south west Victoria already co-operate in a number of areas such as libraries, waste management, tourism, economic development, health and community services.

Council officers, also meet across a number of councils operations and provide a forum for discussion and exchange of ideas.

While it is acknowledged that regional co-operation can be important in delivering some outcomes for the community it must be appreciated that generally local communities have their own specific agendas and priorities which cannot be met through a regional approach. Regional co-operation does not generally alter total funds required.

A significant issue for this Council is financing major regional facilities such as the Regional Library, Hamilton Saleyards Complex, Regional Art Gallery and Performing Arts Centre.

4. ***Local government expenditure and the impact on local governments financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments***

Southern Grampians Shire Council has experienced a range of cost shifting impacts as a consequence of policies and decisions of other spheres of government that have placed considerable pressures on councils budgets. Some examples of these cost shifting impacts include:

Library

Glenelg Regional Library Corporation which provides library and associated services to the Southern Grampians and Glenelg shires has traditionally been a joint funding arrangement between the State Government and Councils.

However the two Councils now fund a considerably higher proportion of the library budget.

For the year ended 30 June 2002, the Glenelg Regional Library Corporation Statement of Financial Performance reveals that the State Government contributed 28% of the recurrent revenue, the participating Councils 65% (including council contributions for unfunded superannuation liability of 15%) and the Corporation 7% of recurrent revenue.

The contributions of State and Local government have moved from a balanced position in the late 1970's to the current situation where there is far greater reliance on local government. This funding inequity is placing the future of libraries at risk.

Hamilton Art Gallery

The Hamilton Regional Art Gallery is jointly funded by the State Government and the Southern Grampians Shire Council.

The Gallery contains a collection of works of regional, state and national significance however the level of State Government support for the art gallery was set at the current levels in 1990/91.

Since that time the Council contribution towards the operating expenses of the Art Gallery have increased from \$130,000 in 1990 to \$270,000 in 2002.

Further development of the collection valued at almost \$15million and enhanced display facilities is constrained by available funding.

In view of the national significance of the collection, much of it derived from private donation the core funding from the State Government should be substantially increased and indexed on an annual basis.

Waste Management

Regulatory changes introduced by the State Government through the Environment Protection Authority and Eco Recycle are placing significant costs onto Council to comply with State Government levies and other requirements with respect to landfills, refuse transfer stations and disposal of waste.

The provision of garbage services, recycling services, management of landfills and refuse transfer stations, rehabilitation of tip sites and disposal of waste has increased from \$439,000 in 1995/96 to a total cost of \$1.275 million in 2002/2003.

The EPA levy and Regional Waste Management Group charges now total \$69,000. These charges did not exist in 1995/96.

Hamilton Performing Arts Centre

The Hamilton Performing Arts Centre is a regional facility providing an extensive program of entertainment for the wider community. The Arts Victoria recurrent grant has increased marginally from \$30,000 in 1995 to \$35,000 in 2002/03.

The lack of Arts Victoria funding has impacted on the development of enhanced programs at the Performing Arts Centre and failed to recognise increases in maintenance and operating costs.

State Government support has significantly decreased in real terms.

Home and Community Care Services

The Home and Community Care program is a large and significant activity of the Council servicing over 750 clients with expenditure of \$1.7 million per annum across a number of areas.

The inability of the State Government unit funding to keep pace with service costs and increases in service demand has contributed to a reduction in service levels in some areas.

Increasing demand for services, both in terms of growth in client numbers and increasing service requirements because of complexity of need; administration burden resulting from a substantial increase in brokerage agencies Council delivers services on behalf of and costs associated with reassessments to review service requirements compounded by a lack of Government funding has resulted in establishment of waiting lists and referral of eligible clients to other services.

Road Funding

The council is responsible for a local road network of 3166 kilometres and received funding of \$1.9million from the Victorian Grants Commission and \$729,000 from the Roads to Recovery program in 2002/03. This funding is of critical importance to Council in maintaining road infrastructure.

The Council has increased its expenditure on maintenance of the road network and associated infrastructure by 36% over the past four years to partly address the continuing deterioration of the network.

Whilst Councils current expenditure on roads is increasing the current rate of expenditure is not sufficient to maintain the road network.

The Roads to Recovery Program has been of specific benefit to Council and every effort must be made to ensure its continuation.

5. *The Scope for achieving a Rationalisation of Roles and Responsibilities between the levels of Government, better use of Resources and better Quality of Services to local Communities*

There are services in which all spheres of government have an interest in achieving certain goals.

However there is evidence of duplication between the three spheres of government, for example in respect of the delivery of human services through the Commonwealths Community Aged Care Program, the States Linkages Program and the core HACC services provided by local government.

All three spheres of government to some degree plan, fund and deliver human services. Streamlining the funding and delivery of Human Services would potentially lead to better use of existing resources for actual service delivery.

Any rationalisation of roles and responsibilities must consider the sphere of government best placed to achieve desired outcomes in conjunction with the availability of financial resources.

In many instances local government will be best placed to deliver a service to the local community but its funding constraints must be addressed.

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*

Of concern to Southern Grampians Shire Council is the reduction in its General Purpose Grant of some 6% for 2002/03. This reduction places additional constraints on Councils ability to deal with increasing service costs, a deteriorating road network and other infrastructure needs.

Financial Assistance Grants are currently inadequate to meet the financial needs of local government particularly those Councils in rural and remote areas.

7. *Conclusion*

The roles and responsibilities of local government have increased significantly over the years from a focus on property related services to meeting the considerably wider needs of the local community.

This increased role for local government has come with a limited capacity to increase revenues.

The capacity to deliver services at the local level has been further constrained by cost shifting onto local government by the other spheres of government.

While local government is recognised by both governments as the most appropriate sphere of government to deliver certain services to the local community, it has not been formally recognised in either the State or Federal Constitution.

There is a need for the recognition by State and Federal Governments along with relevant funding to provide services required by the local community.

The Municipal Association of Victoria in its submission to the Inquiry concludes that the funding problem can really only be fixed by providing local government with an increased and assured proportion of Commonwealth tax revenue distributed on a needs basis.

There are also substantial differences in the ability of councils to generate own-source revenue.