

Corangamite
SHIRE

Our Ref: 27/25/1 PRJ:mps

24 July 2002

The Secretary
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: 89

Date Received: 27/7/02

Secretary: Bezdell


Dear Sir/Madam

Re: Inquiry into Local Government and Cost Shifting

I refer to a letter dated the 13th June, concerning submissions to the Inquiry into Local Government and cost shifting.

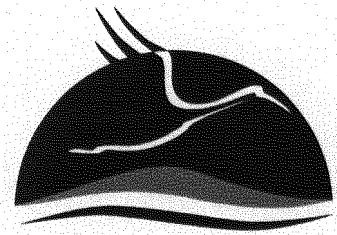
Please find attached Corangamite's submission to the Inquiry.

Yours faithfully


Peter Johnston
Chief Executive Officer

Enc.

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Corangamite
S H I R E

Inquiry into Local Government and cost shifting



Population: 16,898
Area: 4,600 square kilometres
Number of Employees: 146.79 EFT
Number of Councillors: 10
Number of Wards: 5
Rateable properties: 9,306
Length of sealed local roads: 897kms
Length of unsealed local roads: 1,130 kms



July, 2002

TABLE OF CONTENTS

Background.....	2
Financial.....	2
Terms of Reference	3
1. Local Government's Current Roles and Responsibilities	4
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilization of alternative funding sources by Local Government.....	5
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.	9
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.	10
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	13
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	14
The Inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.....	14

BACKGROUND

Corangamite is located in central South West Victoria. Corangamite Shire Council embraces an area of approximately 4,600 kms, from the 12 Apostles and Port Campbell in the south to Skipton in the north, the shores of Lake Corangamite in the east to Terang in the west.

The towns of Camperdown, Cobden, Simpson, Timboon, Port Campbell, Princetown, Terang, Derrinallum, Skipton, Lismore and Noorat lie within Corangamite's boundaries.

Corangamite is a well known farming area, producing milk, wool, beef, fat lamb and grain and is among the top four rural shires in terms of the value of farm agricultural production, much of this related to the thriving dairy industry. South West Victoria produces over 2.079 million litres of milk per year and production continues to grow. Corangamite farmers supply milk plants in Cobden, Koroit, Simpson and Allansford. The estimated ex-factory value of dairy products from the region in 1999/2000 was approximately \$1.2 billion, over 80% of which is exported.

Tourism is another important industry. The Port Campbell National Park has approximately 1.8 million visitors annually, with these figures expected to increase to 3.5 million by 2009. The 12 Apostles is the most popular Victorian tourist attraction outside Melbourne.

Council has 897 kilometres of sealed roads and 1,130 kilometres of unsealed roads. Many of these were built from poor materials in the 1950's and no longer meet the needs of heavy dairy transport and the tourist industry. The high rainfall and undulating nature of the southern part of the Shire exacerbates the problems we have with the condition of our road network. Council recognizes that our community sees our roads as one of our most important services and accordingly we spend over 20% of Council's total revenue on roads.

FINANCIAL

Council's budget for 2002/2003 indicates the following:

	\$
Recurrent Expenditure (includes \$7.45m depreciation)	28.74 m
Capital Expenditure	7.87 m
Revenue	27.04 m
Loan Borrowings	0.50 m
Sale of Assets	0.98 m

TERMS OF REFERENCE

The Minister for Regional Services, Territories and Local Government has asked the Committee to inquire into cost shifting onto local government by state governments and the financial position of local government. This will include an examination of:

1. Local Government's current roles and responsibilities.
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilization of alternative funding sources by local government.
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.
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.
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.
6. The findings of the Commonwealth Grants Commission 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.

The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

1. LOCAL GOVERNMENT'S CURRENT ROLES AND RESPONSIBILITIES

The following details the services that Corangamite Shire provides to our ratepayers, residents, clients and customers.

Adult Day Care	Immunizations	School Crossings
Animal Control	Inspections of Food Premises	School Holiday Programs
BBQ's	Kerb & Channel	Senior Citizen Centres
Bridges	Libraries	Septic Tank Approvals
Building Services	Local Laws	Stock Crossings
Caravan Park – Camperdown	Maternal & Child Health	Street Cleaning
Citizenships	Meals on Wheels	Street Furniture
Community Buildings	Mobile Child Care	Street Lighting
Community Housing	Parks & Gardens	Street Signs
Community Transport	Planning Control	Street Stall Permits
Dog and Cat Registration	Playgrounds	Street Trees
Economic Development	Port Campbell Jetty	Support for local groups
Ed Gym (Camperdown)	Preschools	Swimming Pools
Emergency Management	Public Toilets	Tourism
Environmental Programs	Raffle Permits	Transfer Stations & Landfills
Environmental Health	Ranger Services	Stock Crossings
Family Day Care	Recreation Programs	Vicroads Agency
Fire Hazards	Recycling Programs	Visitor Information Centre
Footpaths	Respite Programs	
Halls	Roads	
Home Care	Saleyards	
Home Maintenance		

We also have a number of internal services that support Council's ability in the provision of the above services, they include:

Financial Management	Rating/Valuation	Human Resources
Risk Management	Payroll	Creditors payment
Customer Services	Debtors Collection/Receipting	Contract Administration
Information Services	Governance & Council administration support	

It is also important to note that Corangamite has eleven (11) townships in the Shire – Camperdown, Cobden, Simpson, Timboon, Port Campbell, Princetown, Terang, Derrinallum, Skipton. Lismore and Noorat as well as numerous smaller rural villages.

As a result of the number of townships Council has to provide facilities and/or assist in the operation of them.

Eg:

- Senior Citizen Centres - 6
- Maternal & Child Health Centres - 7
- Pre-Schools - 6
- Township Halls and Community Centres - 9
- Swimming Pools - 6

It is also the expectation of the community to provide, maintain and improve services. Corangamite has significantly increased expenditure in areas like Parks & Gardens and Local Road Maintenance as a result of feedback from the community.

This has placed added pressure on other areas of Council's operations and funds have had to be transferred from capital expenditure or other funding sources eg. loans, have had to be utilized.

2. CURRENT FUNDING ARRANGEMENTS FOR LOCAL GOVERNMENT, INCLUDING ALLOCATION OF FUNDING FROM OTHER LEVELS OF GOVERNMENT AND UTILIZATION OF ALTERNATIVE FUNDING SOURCES BY LOCAL GOVERNMENT

Corangamite's budget for 2002/2003 indicates \$27.04m in operating revenue. This is broken down as follows:

	\$m
- Rates and Charges	8.91
- Main Road Reimbursements	3.74
- Local Road Funding (Federal Govt.)	1.97
- General Purpose Grants (Federal Govt.)	2.22
- Other Government Grants	
- Recurrent	2.14
- Non-Recurrent	3.57
- User Charges	3.11
- Other	1.38
	\$27.04 million

RATES

Council's financial strategy indicates an increase of 5% in rates and charges over the next five years.

Increases in the past have been:

1997/1998	-	1.58%
1998/1999	-	4.25%
1999/2000	-	6.67%
2000/2001	-	5.02%
2001/2002	-	5.20%

Increases have been necessary, as one of Council's key strategies has been to put extra funds into Infrastructure and renewal. A part of the rate increase has been targeted to this.

As well as infrastructure Council has increased its emphasis on economic development and tourism as well as environmental services, human services and building maintenance.

CPI adjustments and insurance costs are also factors that have influenced rate levels.

However with a reducing population and pressures on rural communities in a variety of ways, Council has to be cognisant of the economic climate and the pressure that rate increases place on the community. It should also be noted that as part of the requirements of Local Government restructure in Victoria that Council cut rates and charges by approximately 20%. It would have been advantageous due to the condition of Council's infrastructure that the 20% was diverted into renewal and maintenance.

GRANTS

Corangamite relies very heavily on government grants particularly in the infrastructure and Human Services areas. Council has become increasingly pro-active in its work to attract external grant income. These funds have assisted enormously to finance services in the Shire.

One of the key issues with government grants is that some have not kept pace with CPI, changing society and demographics and demand for increased services. Some grants have not even increased which has put added pressure on local government resources.

Some examples are listed below:

Grants Commission

The general purpose grant has varied considerably over the past 7 years since restructure. The uncertainty has put pressure on Council's budget processes.

1995/1996	\$2.11m	1999/2000	\$1.82m
1996/1997	\$2.20m	2000/2001	\$1.79m
1997/1998	\$2.04m	2001/2002	\$1.93m
1998/1999	\$1.92m		

HUMAN SERVICES

	Cost to Council	
	1996/1997 \$	2001/2002 \$
Home Maintenance Service		
Grants haven't kept pace with service demand which Council has had to pick up.	22,561	48,559
Meals on Wheels		
Cost of meals have increased. As the \$1.10 per meal grant has not changed for many years, Council has had to increase fees on an annual basis to offset the increased costs.	33,875	47,127
Senior Citizen Centres		
The grants for SCC have remained the same for many years. The costs for providing up to date facilities and programs continues to increase. The number of aged within the community is also increasing, therefore the number able to access the services is greater.	21,764	44,906
HACC - General		
Local Government has had to provide "top up funding" as well as limiting service due to the under funding of the HACC program.		
Maternal & Child Health		
Community expectation has resulted in council providing a service which partly is not funded by government. The Council is providing services which are expected by the community and which has also placed extra pressures on Maternal & Child Health nurses.	117,498	157,677

RECREATION & FACILITIES**Libraries**

Funding for libraries has not kept pace, therefore Council's contribution to the regional library has continued to increase to offset funding shortfalls and the need to update/upgrade books etc.	163,304	204,533
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HEALTH**Immunization**

Increase in service provided to cater for an increased demand and expectation within the community that Council will provide the service. Grants have not kept pace.	9,845	26,531
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HUMAN SERVICES

Cost to Council	
1996/1997	2001/2002
\$	\$

OTHER

Pensioner Concession

Pensioner concession on rates has been \$135 for at least ten (10) years. Council tries to limit rate increases as we are aware of costs passed to pensioners, but demands on services continue to increase. Pensioner concessions could increase by a lump sum and then by C.P.I. to increase with current financial costs.

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.

Corangamite is an active participant of the SouthWest group of councils. The SouthWest group covers the South West of Victoria made up of eight councils. The group meets regularly to discuss issues that are important to all of the South West, including economic development, infrastructure and Human Services.

Council is involved in a number of areas with our neighbouring municipalities and in some cases far wider.

- Shipwreck Coast Tourism – involved with Warrnambool City and Moyne Shire;
- South West Dairy Industry Project - involved with Warrnambool City and Moyne Shire;
- Greater Green Triangle (up to 2001/2002) – involving south west Victorian and eastern South Australian councils;
- Healthy Communities Project – this is an innovative health planning project involving five South West municipalities. Municipal Public Health Plans and Community Safety Plans have been developed as a region;
- Primary Care Partnership (PCP) – involving South West municipalities;
- South West Waste Management Group – involving five South West municipalities;
- Benchmarking – Corangamite has participated with ten other councils of a similar size in carrying out benchmarking across a broad range of council services.

The advantage of the above is that Council has been able to work through common issues and develop strategies as a region avoiding duplication.

As well as the above, officers meet across a number of council's operations. These are in most cases informal arrangements which provide a forum for discussion on common issues.

It has been important that councils continue to be involved as a region, but not in a too structured approach. What has been clearly found is that in some circumstances councils have similar issues and problems, but in others each council has unique issues and needs to work alone with its community to develop solutions appropriate to it.

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

As indicated previously councils are expected to provide more services requested by the community, yet in many cases funding is not available other than through internal funding.

As well as the increase in services there has been an increase in statutory and non-statutory responsibilities imposed on Council. This has placed pressure on Council's resources – both financial and human.

The following provides details:

Building Services

There has been a clear increase in roles and responsibilities and therefore costs for Municipal Building Surveyors as a result of legislative changes.

- Increased inspections;
- Increased audit of Building Surveyors;
- Legislated lodgement fee of \$15.00 for provision of information to solicitors etc is insufficient;
- Further impacts are envisaged as a result of the impact of increased insurance costs for private building surveyor.

Statutory Planning

Introduction of legislative requirements has had an effect on level of planning resources required by Council.

Health Services

Introduction of legislative requirements has had an affect on level of resources required by Council.

- EPA requirements;
- Tobacco legislation;
- Health Act Amendments.

Immunizations – Requirements have increased significantly with minimal or no additional financial assistance or resources.

Food Act – Requirements have increased significantly. Council has budgeted \$45,000 in 2002/2003 with no increase in income to cover the cost.

Public Safety & Amenities

School Crossings – Subsidies for school crossings have not increased. Many schools in rural areas do not meet the criteria for subsidies/funding, yet safety for children is critical. Council supports a number of schools through the provision of uniforms, flags, line marking, training etc.

Dog Act – Change to legislation requiring Council to investigate and enforce provisions relating to restrictive dogs with no additional resources.

Registration of Animals – Council is required to collect a levy per dog and cat and pay to the State Government.

In 2001/2002 this was \$4,800. In 2002/2003 this is expected to double to \$9,600 yet the local resident sees little or no benefit from the levy.

Tree Clearance – Powerlines – In Camperdown this was previously the responsibility of the SEC. Council has budgeted \$8,000 in 2002/2003 to carry out the clearance. No funds have been forthcoming from the State Government.

Saleyards – Fees have had to increase over and above CPI the last few years to meet legislative and EPA requirements.

- Council had to borrow funds to carry out wastewater requirements;
- Council has put resources into meeting QA requirements at the facility;
- Next year Council may need to expend \$80,000 on electronic readers to handle the new NLIS tags. Further legislated guidelines.

Human Services

Council is involved in a number of programs in the Human Services area that have been impacted by changing requirements. These have placed additional responsibilities on Local Government with no additional funding or resources.

Child Care/Pre-Schools – Significant changes to building regulations which are compulsory for councils to implement but are only partially funded.

Primary Care Partnerships – Council has participated in the PCP Program, a State Government initiative, but has not been reimbursed for the time spent by staff and other resources incurred in the program. Council is also expected to participate in other initiatives via the PCP Program – eg: Initial Needs Identification tool (INI), no funds have been made available for updates of computer programs, stationery etc.

HACC – Quality assurance programs will be required. At this stage no funding is guaranteed.

Mobile Child Care – When originally set up in 1992/93 the program was fully funded by the Commonwealth Government. Since then grants have not kept pace with expenditure.

Family Day Care – When originally set up in 1992/93 the program was fully funded by the Commonwealth Government. Since then grants have not kept pace with expenditure as well as amended government regulations which have increased work loads for both Council Officers and Care Providers. No increases in funding have been forthcoming to offset increased costs.

Environments for Health Framework – Council is required to develop public health plans every 3 years yet no funds are available. The development of the plan involves extensive resources.

Community Safety Plans – Council is required to develop community safety plans every 3 years yet no funds are available. The development of the plan involved extensive resources.

Disability Action Plan – Council is required to develop health plans every 3 years yet no funds are available. The development of the plan involves extensive resources as well as ongoing implications for upgrade in infrastructure to meet requirements.

Waste Management

There has been a significant increase in requirements from the EPA as to how landfills are to be managed. Council also has to pay a levy for any rubbish disposed at the landfill. For 2001/02 it will be approximately \$53,000, but will increase substantially over the next few years. Council sees little or no benefit from the levy.

Other

Economic Development

Over the past five years Council has increased its role significantly, yet no funds have been forthcoming.

Risk Management

There have been significant changes in Occupational Health and Safety legislation which has imposed costs on Local Government.

Eg: Over the past years Council has spent approximately \$100,000 on safety anchor points on Council buildings.

Changes to non-feasance have resulted in greater emphasis on inspection of assets, developing asset plans, increased claim management etc.

Information Technology

As a result of changing legislation, changes have had to be made to software, which have not been funded externally.

VicRoads Agency

Council provides a service for its residents as a result of the closure of Vic Roads agencies in regional areas, yet it does not receive enough revenue to cover costs. In 2001/2002 it is estimated to cost \$4,100.

Maintenance of Avenues on Highways

An amount of \$10,000 is paid by VicRoads towards maintenance of avenues in Terang and Camperdown. This amount has not varied for many years even though costs have continued to increase.

GST

The GST legislation involved considerable cost to Council in initial set up costs and has involved ongoing operational costs.

Superannuation Unfunded Liability

Council had to borrow over \$1m towards the unfunded liability of the LAS Defined Benefits Fund. The main reason being as a result of state directed amalgamations and many employees being made redundant which put a huge drain on the fund.

Whistleblowers Legislation

This is new legislation which has meant resources put towards setting up procedures. No funding available. Ongoing costs associated with compliance yet to be determined.

Privacy Legislation

New legislation which has meant considerable resources have had to be put in setting up procedures, audit of information, policy and guideline development and training of staff. Ongoing costs associated with compliance yet to be determined.

Valuations

Council is now required to carry out a revaluation of the municipality every two years. Even though it has provided more up-to-date information it has come at a considerable cost. After a contribution from the State Revenue Office it still costs Council approximately \$60,000 every two years.

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

It should be recognized by both Commonwealth and State Governments of the ability of local government to deliver certain programs eg: HACC program. Local Government has proven many times that it is the most appropriate level of government to deliver quality services to local communities that have been initiated and financed by other levels of government. It is also important that Local Government is involved in the planning of programs from the start rather than being told that this is what the funds are for and how the service is to be delivered, yet with no input from the service provider.

It also needs to be clearly acknowledged by both governments that even though local government has the ability, it has a limited financial capacity to tackle major issues ie: infrastructure and aged care. Corangamite's resources are being stretched particularly in the Infrastructure area where renewal and maintenance of road infrastructure is critical to the ongoing viability of the Shire.

It would seem that there is potential in certain areas to achieve better use of resources and better quality service.

In areas like HACC core services where there is involvement from all levels of government there is the potential for duplication which should be avoided.

It is also important that funding that is provided to Local Government has some flexibility. Each Local Government authority is unique in some way and delivers programs that its community requires.

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

Obviously the biggest issue concerning Corangamite is the funds available for distribution. For 2002/2003 Corangamite will be receiving an increase in its General Purpose Grant. This is welcomed and some recognition towards the issues that Corangamite faces ie: deteriorating infrastructure, increased tourism, duplication in small townships etc. but, the amount that Council receives is still inadequate to deal realistically with the financial constraints facing local government.

THE INQUIRY IS TO BE CONDUCTED ON THE BASIS THAT THE OUTCOMES WILL BE BUDGET NEUTRAL FOR THE COMMONWEALTH.

It is disappointing that the review into cost shifting has had limitations placed on it. As clearly indicated in this document Corangamite's financial burden has increased significantly as a result of decisions by both the Commonwealth and State Government. If there is to be a change in financial arrangements then there may be impacts on the Commonwealth budget as well as the State.

Local Government is recognized by both governments as the most appropriate delivery of services across a wide variety of areas, yet Local Government is not formally recognized in either the State and Federal Constitution and also does not receive appropriate funding to provide the services that the community requires and desires.

The Corangamite Shire is continually evolving to meet the community's requirements and desires. It is important that funding from both levels of government is reviewed to take account of the pressures that local government is under.