



House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:.....	53
Date Received:	24/7/02
Secretary:	Bardell

24 July 2002

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

Dear Sir or Madam

INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

On behalf of the City of Greater Shepparton, I wish to lodge the attached Submission to the Inquiry into Local Government and Cost Shifting.

The Council's Submission relates to the issues of:

- Road Funding
- Education
- Telecommunication Services
- Performing Arts
- Visual Arts
- Library Services
- HACC Services
- Children's Services

Your consideration of the various issues raised by the Council in this Submission is appreciated.

Yours sincerely

Bill Jaboor
CHIEF EXECUTIVE OFFICER

Encl.

GREATER SHEPPARTON
GREATER FUTURE



INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

Submission by the City of Greater Shepparton

Background

The Greater Shepparton City Council was created on 18th November 1994 from the former Shires' of Shepparton City, Shepparton Shire, Rodney and portions of the Shires' of Euroa, Goulburn, Tungamah, Violet Town and Waranaga.

Greater Shepparton is situated in the heart of the Goulburn Valley, covers an area of 2,421.9 sq. kilometres, and is the fourth largest provincial centre in Victoria, situated some 200kms from Melbourne. It has a well developed economy due to its strong agricultural and irrigation base and has a culturally diverse population of approximately 57,000 people.

The Goulburn Valley is often referred to as the "Food Bowl of Australia" as around 25% of the total value of Victoria's agricultural production is generated in this area. Major secondary industries in Greater Shepparton are mainly related to food processing, dairy, manufacturing and transport.

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Road Funding

Categories of funding are as follows:

Amount	Category	Source	Distribution
\$1.36 m/year	Roads to Recovery	Federal	Feds to Local Government
\$1.99 m/year	Grants Commission	Federal	Feds to State to Local Government
\$0.74 m 2001/2002	Black Spot	Federal	Feds to State, then via VicRoads to Local Government
\$0.24 m 2001/2002	Better Roads Victoria	State	State via VicRoads to Local Government
\$1.34 m/year	Main Road Maintenance	State	State via VicRoads to Local Government
\$0.11 m 2001/2002	Traffic Management		State via VicRoads to Local Government

The direct funding of the Roads to Recovery money works well and the Council have communicated this to the Federal Minister for Transport. The administration associated with this program is minimal and the opportunity for cost shifting does not exist.

The distribution of the Grants Commission category is set by formula, which has been recently reviewed.

The other federally funded road category, Black Spot, is distributed via the State Government and VicRoads. As Black Spot is project based, a system of application, review and prioritising would have to be developed at a Federal level if VicRoads and the State were to be by-passed.

When the campaign to obtain Roads to Recovery money was run, the issue of Victoria's fuel excise contribution was raised. The figures quoted were Victoria contributed \$2.5 billion (25% of this revenue total), yet received only \$196 million (15% of this expenditure total).

Not only was the distribution an issue, but the fact that not the entire fuel excise was used on roads was also an issue. In effect, this is revenue shifting by the Federal Government.

At this stage, I do not have current figures to further debate this issue, but I presume however, this situation would have been partially addressed by the Roads to Recovery money, although that program is Australia wide.

The data presented in attachment 1 has been collated from VicRoads claim forms for the periods shown.

The figures used in the "Routine & Periodic Total" data set can be confidently used to illustrate trends in funding and expenditure levels. The trend shows that the funding levels have been held at the same level for the past two years and is likely to be the same for the current financial year. In real terms it could be said that the level of funding has declined, as allocations have not been increased with inflation. These categories of funding cover on road maintenance activities such as pothole patching, sign repairs, shoulder grading and drain cleaning to name a few. VicRoads requires these activities to be performed in accordance with their Specification 750.

The figures used in the "TRUM & Road Safety Total" data set illustrate trends for funding for specific projects for improvement for traffic flow, bike paths and blackspots. Whilst these projects are generally funded for a particular financial year, they may for operational reasons span several financial years.

It is anticipated that for this financial year the level of funding from the State Rehabilitation program will be significantly lower than previous years. The other significant trend is in Better Roads Victoria and State Rehabilitation Works where the average allocation over the last 5 years has been below what is required to just maintain the current level of service. This is in light of increased mass limits and increased traffic volumes.

Education

Education has become a major responsibility for Local Government, especially in the regional context. The Grants Commission Review illustrates the global position in noting that expenditure on education, health, welfare and public safety services trebled as a proportion of total Local Government expenditure between 1961-62 and 1997-98, rising from 4% to 12% in this period. The same Review notes the particular emphasis in these areas in Victoria, where Local Government “spends 21% of its outlays on education, health and welfare”.

Higher education requirements have become an acute priority issue for local government in regional areas where there is insufficient provision of higher education. This is in effect a new responsibility for local government. It is partly a product of the knowledge economy. It has not arisen because another level of government has ceased to provide services (c.f. the Grants Commission Review, p. 53, which does not adequately recognize that new areas of responsibility are emerging for local government). It is imperative that the Commonwealth recognise the responsibility that has devolved to Local Government in this area.

In the Shepparton context, for example, it falls to local government to research, highlight and take action in relation to matters such as the following:

- There is a massive brain drain from the region, despite the fact that Shepparton is one of Victoria’s largest regional centres. In 2000, for example, only 9.8% of university students with permanent addresses in the Goulburn (Valley) statistical division were studying in Greater Shepparton. While 321 students stayed, 2936 left. The loss which Shepparton experiences as a result of local students leaving is in no way compensated for by outside students coming in – to indicate the order of magnitude, the DETYA Atlas of Higher Education states that 120 students moved into the division to study in 1999. The net losses from the Goulburn region were 72% higher than for any other Victorian region, and they were one of the highest in Australia.¹
- The region has a low participation rate in higher education.
 - The participation rate for higher education students aged 17 to 24 in the Goulburn region was 14.9% in 1999, compared to a statewide participation rate of 18.2%, and Goulburn was only 7th of the 11 non-metropolitan regions on this table.
 - The participation rate in higher education for students aged 25 and over in the Goulburn region was 0.6% in 1999, compared to a statewide participation of 1.6%.
- School drop-out rates are also extremely high in the region. For example, 37.6% of students who started year 9 in 1995 at schools in the Goulburn region dropped out by year 12 in 1998.

¹ See the “Strategic Plan for Shepparton’s Development as a University City”, p. 14-16 for details and sources of these and the following figures.

These figures reflect a situation of serious disadvantage. They signal potential danger for the future for an economically dynamic region where technologically advanced irrigated agriculture enables Victoria's highest density of rural output.

In this situation, it becomes the responsibility of local government to pick up the higher education ball, and run with it. But local government needs to be adequately resourced in order to discharge its responsibility. Shepparton is fortunate to have small campuses of two universities. But a great deal needs to be done by local government to support those institutions. Even more importantly, a great deal needs to be done to facilitate expansion of the provision of higher education opportunities in the region.

It is clear that unless local government takes a lead, appropriate outcomes will not be achieved. More than this, in a situation of increased flexibility in higher education and its delivery, local government is well placed to work with communities and institutions to facilitate "win-win" outcomes. To play this role effectively, local government needs a practical understanding of the dynamics of higher education institutions, as well as a commitment to promoting the interests of the local community and economy.

In earlier decades, there was a different model of higher education particularly in the regional content. In effect, a regional city had to get a university of its own to become a university city. In the Twenty-First Century, new models are appropriate.

The title of the 2000 DETYA publication "Multi-Partner Campuses: The Future of Australian Higher Education?" is indicative of the new directions. A quotation from the chapter on how these collaborations work highlights the fundamental importance of local government:

"When looking at the formation of these partnerships, it is interesting to note who were the major catalysts, and their degree of involvement beyond the initial establishment of the partnership. Excluding Victoria and the Northern Territory, in most cases, 'the push' to form a partnership issued from the regional community via the local council or through lobby groups to government."²

The City of Greater Shepparton has taken the view that it needs its own strategy for the future of higher education in the region. Development of a local strategy gives the local community a perspective of its own, and a basis for working co-operatively with universities which operate in the region as well as with other levels of government.

The university city model which Shepparton developed for itself can be summarised in the following way:

- "Shepparton needs to be a strong university city-
- To overcome educational disadvantage;
 - To strengthen the region's educational culture;
 - To become part of the knowledge economy;
 - To support growth of the region's exports...

Shepparton needs to arrest the brain drain. To do this, it must become a net importer of university students...

² Dept of Education, Training and Youth Affairs, *Multi-Partner Campuses: The Future of Australian Higher Education?*, 2000, p. 77.

Shepparton has a unique “university city” model. It wants to host a number of universities, offering complementary programs on a co-operative basis... It wants to develop a university precinct, including a university centre which will be a “Front Door” to the community.”³

In the contemporary context, the ‘higher education’ responsibilities which fall to local government can – or may – include:

- Co-ordinating planning, including research about student and employer demand;
- Taking the lead in developing initiatives;
- Facilitating and brokering outcomes, such as helping to attract university involvement, and helping to build student demand;
- Providing infrastructure (such as a university centre which can be leased out to higher education providers);
- Joint venturing with providers to assist in the delivery of programs such as short courses in leadership.

In summary, local government is likely to have the key role in pulling everything together, and making sure it happens.

The provision of adequate resources for local government to discharge its higher education responsibilities should be a priority for both State Governments and the Commonwealth. The provision of adequate resources to enable local government to discharge its responsibilities in relation to higher education in regional Australia is a vital component of capacity building. High priority should be given to ensuring that adequate funds are made available for this purpose and other vitally important social capital projects.

Telecommunication Services

Access to a broad range of government services has become increasingly distant for many communities located in regional and rural Australia. Whilst the impact of new technologies has provided more efficient service delivery options, typically regional based communities do not have the economies to justify the infrastructure investment required to afford such access.

The issue of access to basic and essential government services was highlighted in the late 90’s with the Federal Government announcement of the Rural Transactions Centres (RTC) Program. This initiative provided a workable framework for supporting strategies designed to assist communities maintain and regain services in the form of government service centres. The implementation of a RTC would allow local communities access to primary transaction services such as personal banking, elements of business banking, postal services, phone and fax facilities and further capacity allowing access to a range of extended services such as internet, private health funds, Centrelink and other Federal, State and local government services.

The provision of services to local communities requires a collaborative approach between Federal, State and local government. At a local level, the City of Greater Shepparton has consistently demonstrated a strong commitment to assisting small rural communities’ progress initiatives such as RTC’s. The paradox remains in that the

³ “Strategic Plan for Shepparton’s Development as a University City”, pp. 4-5.

establishment of these government services via a RTC or similar model requires appropriate telecommunications infrastructure, which simply isn't in place. Increasingly it seems that local government is required to progress initiatives, but moreover absorb the associated cost of labour and financial resources in order to tackle these obstacles on behalf of regional communities.

A tangible example of how local government has shouldered the financial responsibility of facilitating the delivery of online government services is the Council's formation of a regional telecommunications company known as Goulburn Murray Telecommunications (GM Tel). Greater Shepparton City Council in collaboration with three neighbouring councils, took the lead role in establishing a new regional telecommunications carrier i.e. GM Tel. This initiative provides a clear example of how local government has engaged, on behalf of their local communities, in an effort to bridge the 'last mile' of technology infrastructure necessary to support the delivery of Federal, State and local government services.

Arguably, local government is often best positioned to identify, understand and secure solutions for their local communities, on behalf of Federal and State Government. Further the level of local government participation and involvement in facilitating the provision of the broad range of government services, albeit Federal or State has increased significantly in recent years. It is a fact that local government is now incurring an increasing range of both direct and indirect costs in relation to services which are the responsibility of either State or Federal government. Local government can facilitate the delivery of these services, but this will require immediate and appropriate financial assistance to offset these additional costs.

Performing Arts – Eastbank & Westside

The Greater Shepparton City Council provides performing arts programs through its Eastbank and Westside facilities. The Council does not currently receive an operational subsidy from Arts Victoria as many other similar centres do. In the Victorian context the total grant allocation by the State has not increased for about 10 years or more, and only centres originally included in the scheme receive grants. These grants are up to \$35,000. The Victorian Association of Performing Arts Centres is currently attempting to have Arts Victoria recognise the importance of reassessing the equity and level of State contribution of the existing scheme. The City of Greater Shepparton expends approximately \$170,000 on performing arts programs and additional on operational costs and receives no State Government subsidy.

Visual Arts

The Shepparton Art Gallery has received a \$60,000 per year grant from the State Government for the last 10-12 years towards operating costs of the facility. Some regional galleries are not funded at all as the original scheme has not been expanded since its inception, or the annual allocations have not been increased to reflect real values. At present Greater Shepparton City Council spends approximately \$189,000 on the provision of the visual arts.

Library Services

State Government grants for the Goulburn Valley Regional Library Corporation have risen by less than 1% (.94%) since 1998. At that time they were \$499,822 and despite a rise, in 2001 they were \$504,538. In the same period Council contributions have risen in excess of 38% from \$609,112 to \$840,589. This is a very clear example of the pressure placed on Council's to maintain levels of service to the public, despite real value decreases in subsidies from the State. As a mere example wage costs over this period have risen by over 20%.

HACC Services

Recurrent HACC grants have increased only 11.4% over 3 years, but notwithstanding that, the number of clients being serviced has increased notably and some areas have received no increase in grants at all. The average increase of 3.8% is hardly enough to keep pace with inflationary pressures, much less the increase in numbers of clients. By way of example, the grant for Delivered Meals has not risen for many, many years and remains at \$1.10 per meal despite continuing increases in costs of meals and inclusion of fruit juice. Also Personal Care grant Unit Price has risen only 4.8% in 3 years despite wage increases in the order of up to 10% over the same period. Respite Care Unit price has only risen by 4% over the same period. These increases naturally lead to either increased cost to consumers, lower capacity (despite higher demand) or greater cost to local government.

Children's Services

Difficulties also occur with the provision of Children's Services in that increases do not sufficiently reflect rises in actual costs (i.e. wages and other costs). For example, Maternal & Child Health subsidy has not increased in recent years except to reflect increased numbers of children. The base unit rate has remained unchanged despite quite substantial rises in wages paid to nurses who deliver the service. There is also great pressure within a variety of services to cater for special needs children in mainstream services, however these children require additional staff resources, and the sum of money available is nowhere near able to meet the demand. This is placing pressure on Council's as operators, and voluntary committees, to meet the extra costs of integrating these children into services, or alternatively preventing these children from being able to join the programs.

Conclusion

The Greater Shepparton City Council is aware that there are many instances where other levels of government introduce new initiatives and programs that Local Government is funded to implement. Over time these funding levels are eroded and do not keep pace with current costs. In the meantime the communities' expectation that the programs will continue at an appropriate standard is developed. It is therefore necessary for Local Government's to incur greater costs to meet the community expectation. This report outlines an indicative range of such services and programs.