



Darebin City Council

Initial response to the House of Representatives Standing Committee on Economics, Finance and Public Administration

Inquiry into Local Government and Cost Shifting

Introduction

This initial submission outlines the key arguments presently being developed by Darebin City Council in response to the Federal Government Cost Shifting Inquiry. The main elements of our argument and some supporting evidence are provided, with evidence of greater detail to follow in our final submission, which will be forwarded to the Standing Committee by mid August 2002.

Inadequate Terms of Reference

Cost shifting is a fundamental question for local governments across Australia. The outcome of this debate will influence the long-term viability of local government as a service provider and public administrator. The Federal Inquiry had the potential to provide an excellent opportunity for all levels of government to consider and debate this critical issue. The Terms of Reference developed for the Inquiry considerably constrain this debate by:

- a. Focussing on state/local relations and excluding discussion of federal/local relations
- b. Requiring budget neutral outcomes for the Commonwealth
- c. Focussing on the development of regional solutions and inter government cost sharing at the local level.

Darebin City Councils critique of the Terms of Reference for the Inquiry will be provided in more detail in the final submission. The requirement for budget neutral outcomes for the Commonwealth deserves particular comment here, however. The requirement effectively limits the parameters of debate to discussion of state/local cost shifting as the result of local government agency for state and federal government programs. The Darebin City Council submission will provide a range of data to support the argument that such cost shifting occurs and has impacts on local government finances.

Range of cost shifting mechanisms

Darebin City Council strongly contends that the overall level of Commonwealth funding is the key issue for local governments, and is disappointed that the Terms of Reference for this Inquiry precludes debate on this issue. At the same time, cost shifting to local government from state and federal programs is problematic and adds a substantial burden to local governing bodies. This is particularly true for Councils like Darebin that provide considerable services to complex and demanding communities. Darebin City Council acts as agent for a range of State and Federal Government services, and we are also key partners in Federal and State government change processes. Both these roles leave Darebin subject to cost shifting in a number of different guises:

- Under funding of specific purpose payments – both for projects (eg TPV project), and programs (eg HACC, MCH, FDC)
- Transaction Costs – local government bears costs for administration and support for a range of community projects funded by the state.
- Funding of implementation of change processes – eg Primary Care Partnerships, LENS

The City of Maroondah has used a more sophisticated framework in an effort to more closely define the processes for cost shifting to local government, contending that costs are shifted through one or a combination of any of the following mechanisms:



- *Costs of compliance* to new or amended State or Federal Legislation (or compliance to policy shifts in State or Federal programs).
- *Under funding* of State or Federal programs or initiatives, or provision of one-off funding for recurrent programs
- *Shift of responsibilities* from State or Federal to Local Government Authorities (LGA's) with no associated funding
- *Excess Levy* on LGA's for no or insufficient return
- *Flow on* of indirect costs as a result of any of the above mechanisms.

Darebin City Council supports the broad framework developed by the City of Maroondah and considers the submission a realistic summation of the variety of processes whereby costs are shifted to local government. It is also important to note, however that many community based agencies face similar issues, particularly with regard to the Home and Community Care (HACC) and similar programs.

Initial response to the Terms of Reference

1. Darebin City Council's current roles and responsibilities

Darebin City Council provides local government and associated public administration along with a wide range of services to a population of 123,000 in Melbourne's North Western suburbs.

Darebin, like some other communities in inner city and city ring areas of Melbourne, requires an increasingly greater range and greater number of programs to meet community needs.

Some of the specific attributes of Darebin, that drive the need for responsive services are:

- An ageing population – 20.2% of Darebin residents are aged 65 years and over compared to the MSD average of 16.1%
- A culturally and ethnically diverse population – 29.4% of people living in Darebin were born in non-English speaking countries compared to 21.3% in the MSD.
- A relatively poor community – 30.6% of people in Darebin receive income below the Henderson Poverty Line, compared to 26.6% for the MSD
- Darebin has the highest metropolitan Aboriginal and Torres Strait Islander population. With 1,087 ATSI people in the City, Darebin has the second largest ATSI population in the State.
- A high proportion of people with disabilities – Darebin has 5,854 people on disability pensions and 585 on carers pensions as a result of caring for children with disabilities. Together these people comprise over 5% of the Darebin population.

Governing for diverse communities of this nature is an increasingly challenging. The role and associated responsibilities of Council are continually changing and growing in response to the demands of the Darebin community. Attachment one to this initial submission provides a list of 66 key services provided by Darebin City Council. Of these all but the 10 service areas of the Corporate Services division, provide direct or indirect support to the community, either through service provision or through planning and policy development functions.

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

Along with other local governments, Darebin City Council receives funds from four primary sources:

- Rates
- Fees, fines and charges
- General purpose payments
- Specific purpose payments



Of these four sources, rates provide the primary source of income. Chart 1 below shows income from rates compared to income from general-purpose grants since the amalgamation of the former Cities of Northcote and Preston that formed the City of Darebin in 1994.

Chart 1: GP grants vs rates 95-02

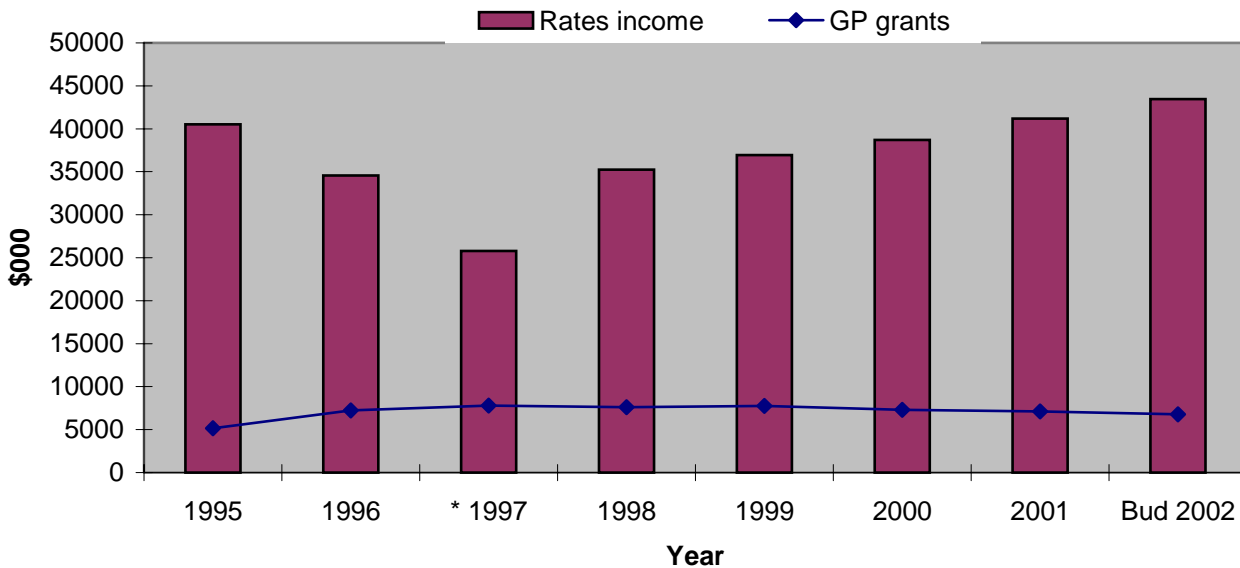


Chart 1 shows that, while rates are the primary source of income for Darebin City Council, Victorian Grants Commission funds contribute significantly to the City, at times providing up to 30% of total rates income. Grants Commission funding peaked in 1998/99 and has been steadily reduced since that year, to the point where the City received the least amount this year since formation, amounting to 16% of the rate base. Total losses from expected Grants Commission income amount to around \$2.8 million over the period.

The chart also shows that a range of rates caps significantly affected rates income during the period of the Kennett government in Victoria. The significant drop in rates in 1997 resulted from an externally imposed 20% rate cut. Only after a period of seven years has Darebin City Council been able to gather the same level of rates that the combined Cities of Northcote and Preston were able to gather before amalgamation.

These external limitations on rates income have resulted in an overall loss to Darebin City Council in the order of \$36 million since the formation of the City.

The Municipal Association of Victoria (MAV) has pointed out that cost shifting as defined through the Inquiry Terms of Reference accounts for only 10% to 15% of the structural deficit faced by local governing bodies across Australia. The real problem lies in the quantum of funding received through Financial Assistance Grants (FAG's) from the Commonwealth. Darebin data confirms this view.

While local government expenditure has increased in line with growth in Average Weekly Earnings, both untied grants and many tied grants are generally increased in line with Consumer Price Index (CPI) shifts. To illustrate the degree of difference between these two indices, All Employees Total Earnings increased by 4.3%¹ between March 2001 and March 2002, while CPI increases were in the order of around 2.9%² for the same period. As local

¹ ABS Lookup/NT000088BE

² ABS Lookup/NT00006DB2



government bodies seek to improve responses to local communities, it is highly likely that costs will continue to increase proportionate to growth in real wages. Chart 2 below shows Darebin total expenditure and expenditure on labour compared with VGC income since 1995.

Chart 2: Expenditure and labour vs GP grants 95-02

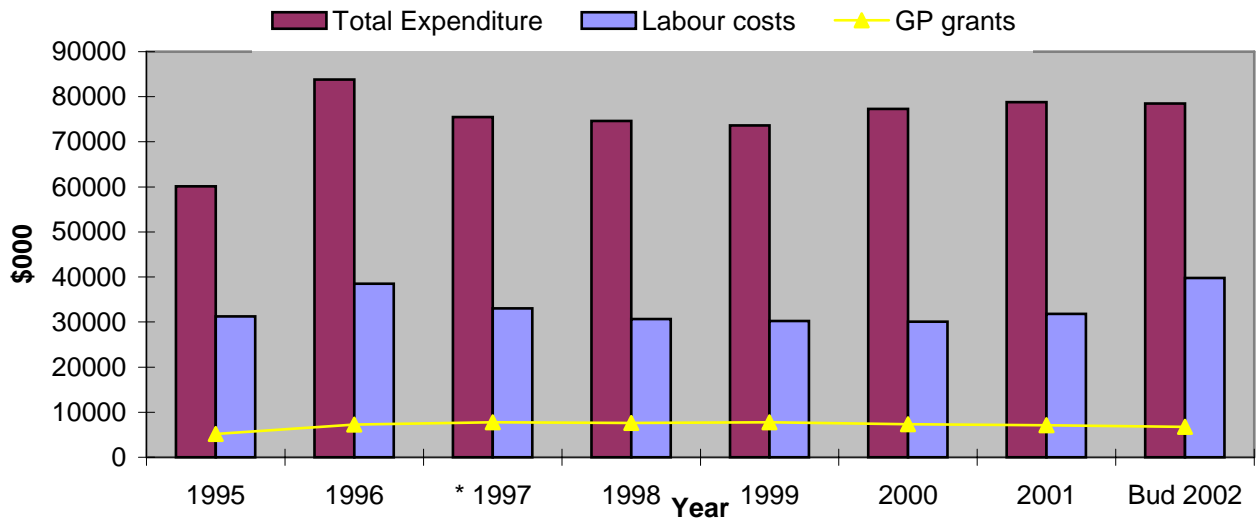


Chart 2 shows the growing disparity between expenditure on labour and income from General Purpose grants. In the period since 1996 labour costs have risen by around 3% while VGC grants income has diminished by around 7%.

While FAG and SPP increases remain linked to CPI, the financial capacity of local governing bodies and, in particular, the capacity of local governments to provide residents with an equitable level of services will be further diminished. Only an increase in the total pool of funds available from the Commonwealth will enable the Victoria Grants Commission to properly support Victorian local governments to provide equitable service delivery to residents.

The Australian Local Government Association (ALGA) submission in response to Commonwealth Grants Commission's Discussion Paper provides an alternative approach to funding for local government. The ALGA argue that arrangements established with the introduction of the New Tax System broke the nexus between State and Local Government funding when FAG's were retained for local governments, but abolished for States. If the connection between Commonwealth funding for states and for local government had been retained, with local government FAG's linked to 1% of total Commonwealth taxation receipts (it had been 2% in 1980/81), local governments would have received an additional \$6.2 billion in 1997/98 prices.

This solution will be discussed in more depth in Darebin's final submission to the Inquiry. Further data will also be provided around the level of income received by Darebin from Specific Purpose and tied grants and from fees, charges and fines.

3. The capacity of Darebin to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level...to achieve regional outcomes.

The capacity of Darebin City Council to meet existing obligations is under some threat in the long term. Data provided in response to Term of Reference 2 illustrates that rising labour costs is an increasingly concerning issue for Darebin and for Local Government in general.



Likewise, increasing costs of developing and maintaining infrastructure is a threshold issue for local government, and one that will be dealt with in greater detail in the our final submission.

Despite efforts devoted to these threshold issues, and others that will be discussed in the final submission, local government in Victoria continues to develop robust regional relationships. Human services, transport, governance, Aboriginal and Torres Strait relations, economic development, arts and cultural activities, support for East Timor and health and environmental planning are among the wide range of activities undertaken in a regional context. Data that represents the extent of Darebin's effort will be provided in our final submission.

4. Local government expenditure and the impact on local government's financial capacity as a result in the changes in powers, functions and responsibilities between [other levels of government] and local governments.

A short paper³ provided in this initial response as attachment 2 details data for three state and commonwealth state programs: selected HACC services, Family Day Care and Maternal and Child Health Services. The case studies illustrate the use of a number of cost shifting mechanisms. In the case of selected HACC services for example, underestimation of service demand compacted by unrealistic and inconsistent unit costing reduced income by \$1.5 million between 97/98 and 00/01. The City of Darebin contributes 47% of the total cost of our HACC services, with clients contributing 16% and the Commonwealth and Victoria 37%. While the impact of cost shifting in Maternal and Child Health Services and Family Services is not as significant, they serve to demonstrate the complex processes whereby costs are shifted to local government.

Other examples include:

Changes in Legislation:

Asset protection - Telstra legislation allows Federal and State public authorities (eg Telstra) to undertake a certain level of works without notification. Council funds are used to repair damage to footpaths.

Building regulation – Inspection costs around fire safety equipment are the responsibility of local governments, but the nature and extent of regulatory control is established by the State.

Environmental health - New regulations developed by the State have imposed a major cost on local governments in Victoria. Allowance for recoup of costs through fees has been insufficient to cover the full cost of the program.

Changes in Standards: Road Maintenance

- State government (Auditor General) requires that assets are maintained at higher level. Funds committed to future projects are jeopardised.
- State government changes in load limits permits more B-Double vehicles, increasing impact on roads and bridges. No additional funding is considered.

Inadequate growth: *School Crossings* – Originally a Vicroads responsibility, funding to Darebin has increased by 23% since 1996/97, while staff and uniform costs have increased by 42%.

Policy shift: *Libraries* – This program is jointly administered by two State government departments. Funding policy has shifted to emphasise capital development over maintenance

³ *Review of Cost Shifting in the provision of selected services in the City of Darebin 1997-98 to 2000-01*



of recurrent spending. This change in the way that the operational grant is provided was undertaken with little consultation.

We urge the Committee to consider both the attached case studies and those that will be provided in our final submission carefully.

5. The scope for achieving a rationalisation of roles and responsibilities between levels of government, better use of resources and better quality services to local communities.

The issue of role definition and clarity between different levels of government for service planning and development is central to the issue of cost shifting. As the level of government most clearly connected local communities, local government is well placed to plan and deliver a 'whole of government' approach in key areas such as employment, housing, land use planning and community service provision.

State and Commonwealth government fragmentation is perhaps the largest impediment to sensible and holistic planning at the local level. Special purpose funding, in particular, is often administered with little or no regard to the particular needs of local communities. 'One size fits all' policy and funding approaches frustrate local efforts to bring about greater integration and to innovate to pre-empt and respond to community needs. Consultation is too often perfunctory, based on limited terms of reference and undertaken in an environment of resource and policy constraint.

Lack of communication between State and Federal programs, exacerbated by an absence of inter-departmental planning and policy systems often means that local government needs to invest considerable time and energy attempting to make sense of disparate policy approaches. Examples of these instances will be outlined in our final submission.

Darebin's final submission will clearly outline a range of mechanisms whereby greater inter-governmental cooperation could be encouraged, with a view to improving resource usage and improving the quality of local services. Recently in Victoria there have been some laudable attempts at developing working partnerships within key service areas. Unfortunately, many of these have also been centrally driven and managed, diminishing opportunities to develop locally responsive service systems.

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.

Darebin is generally supportive of the findings of the CGC Review of the Act. We welcome the retention of minimum payments and attempts to improve the transparency, consistency and accountability of the funding system. The detail of the Relative Needs Pool and the mechanisms for distributing grants based on relative need must be more closely examined before Darebin could provide clear support. We are unsure about the wisdom of removing the specific category for Aboriginal and Torres Strait Islander people, given the pressing needs of this group, particularly in rural and remote areas.

A more detailed critique of the findings of the Review will be provided in our final submission. The central point, however, that the mechanisms for funding are less problematic than the general quantum of funds provided, remains.



Attachment one

Darebin City Council – Major service groups

1. Aged and Disability Support Services - Community Services Department

- 1.1. Food Service
- 1.2. Dementia Care
- 1.3. Home Care/Personal Care/Respite Care
- 1.4. Home Maintenance
- 1.5. Community Transport
- 1.6. Housing Support
- 1.7. Assessment and Care Management
- 1.8. Senior Citizens Support
- 1.9. Community Aged Care Packages
- 1.10. Social and Community Support

2. Parkland and open space - City Services & Culture & Leisure Services

- 2.1. Parks & Gardens
- 2.2. Open Space Planning

3. Traffic & Transport - Asset Management and Environment & Amenity Departments

- 3.1. Traffic & Transport Services
- 3.2. Traffic Enforcement
- 3.3. School Crossings

4. Corporate Services - Corporate Services Department

- 4.1. Customer Service
- 4.2. Information Systems
- 4.3. Administration
- 4.4. Org Development
- 4.5. Civic Amenities
- 4.6. Risk Management



- 4.7. Mayor's and Councillor's Support services - Brian Anderson
- 4.8. CEO's Office
- 4.9. Records
- 4.10. Finance
- 5. *Waste Management - City Services & Environment & Amenity Departments***
 - 5.1. Collection Services
 - 5.2. Resource Recovery
 - 5.3. Environmental Planning
 - 5.4. Street Cleansing
- 6. *Leisure & Recreation Facilities - Culture & leisure and Community Services Departments***
 - 6.1. Darebin Libraries
 - 6.2. Darebin Community Sports Stadium
 - 6.3. Darebin Leisure Services
 - 6.4. Reservoir Leisure Centre
 - 6.5. Arts & Cultural Planning
 - 6.6. Bundoora Park
 - 6.7. Northcote Golf Course
 - 6.8. Northcote Aquatic Recreation Centre
 - 6.9. Darebin Arts and Entertainment Centre
- 7. *Strategic Support Services - Strategy & Governance Department***
 - 7.1. Communications
 - 7.2. Social Policy
 - 7.3. Corporate Planning
- 8. *Regulatory Services - Environment & Amenity Department***
 - 8.1. Building Services
 - 8.2. Environmental Health
 - 8.3. Animal Control
 - 8.4. Local Laws
- 9. *Family and Youth Services - Community Services and Environment & Amenity Departments***



- 9.1. Children's Services
- 9.2. Child Care Centres
- 9.3. Maternal & Child Health
- 9.4. Family Support Services
- 9.5. Youth Services
- 9.6. Family Day Care
- 9.7. Outreach & Day stay
- 9.8. Preschools & Kindergartens
- 9.9. School Holiday Program
- 9.10. Immunization
- 9.11. Dental Services
- 9.12. Community Health and Safety

10. Infrastructure Design & Maintenance - Asset Management and City Services Departments

- 10.1. Infrastructure Planning
- 10.2. Building Design
- 10.3. Engineering Design
- 10.4. Building Maintenance
- 10.5. Road Infrastructure Maintenance

11. Municipal Development - Strategy & Governance Department

- 11.1. Economic Development
- 11.2. Strategic Planning
- 11.3. Statutory Planning
- 11.4. Special Projects



Attachment two

**REVIEW OF COST SHIFTING IN THE PROVISION OF SELECTED HACC SERVICES
IN THE CITY OF DAREBIN 1997-98 to 2000-01**

August 2001



Disclaimer

The consultant takes no responsibility for the actual expenses and income figures which have been provided by City of Darebin officers.

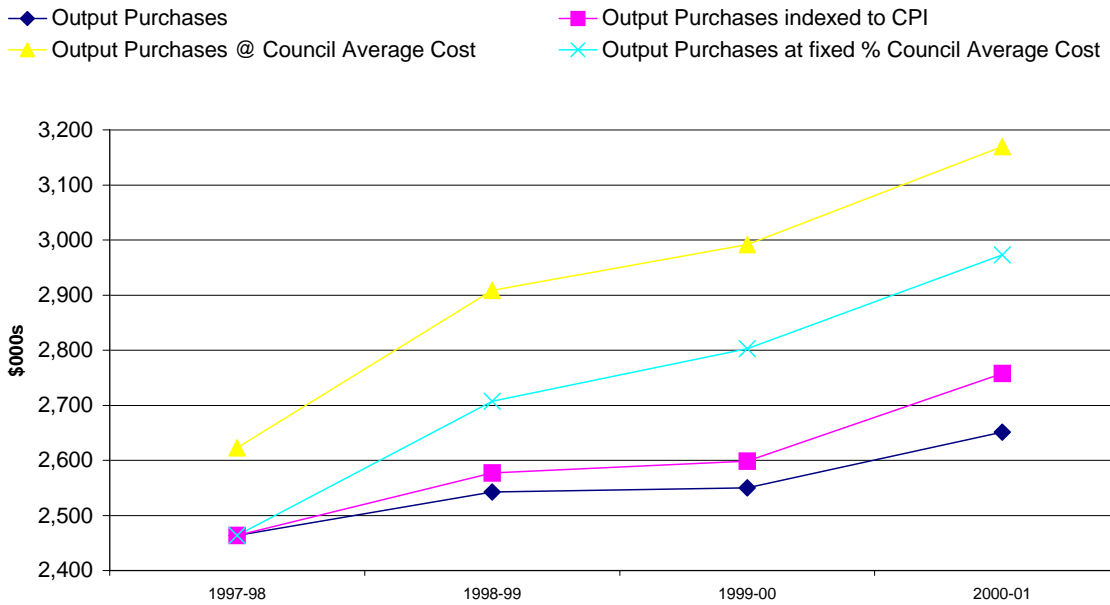
The costs calculated for the City's services are based on the full costing of services. They include expenses for management and the inclusion of specific costs which the consultant has identified as reasonable and appropriate. Allocations of management and administration across services have been made on the advice of council.

The consultant has used records of the funding agency for determining grant receipts. Care has been taken in apportioning combined fees derived from home care and personal care. Due to data considerations expenses calculated for the 1999-00 reflect the contract period rather than financial year. Labour costs for indirect hours which were aggregated for the 1999-00 have been allocated on a pro-rata direct hours basis.



Summary

- The City of Darebin is one of the largest local government HACC service providers.
- The City has relatively high unit costs for HACC service provision, in a large part due to its higher operational support and management (OS&M) and assessment and care management (A&CM) costs. As a result the unit prices paid by the DHS represent a smaller proportion of the City's unit costs compared with the average for local government.
- The unit prices and block funding covered by DHS purchasing of Home Care, Personal Care, Respite Care, Planned Activity Group (PAG) High Needs, Meals and A&CM have been consistently and substantially below councils' average costs.
- The total amount received by the City of Darebin between 1997-98 and 2000-01 for the purchase of these services would have been around \$1.5m, or 14% higher, if the average costs of councils' service delivery were being offset.
- If over the same period, purchases had continued to account for the same proportion of the average cost of councils as it did in 1997-98 an additional \$760k, or 9% more, would have been realised in these services over 1998-99 to 2000-01.
- Notwithstanding the deficiency in unit prices and block funding, had the DHS indexed its unit prices in 1997-98 to general cost increases as measured by the CPI, the total received would have been \$196k, or 2.4%, higher over the following three years.





- The City's contribution to HACC services is currently 47% of total expenses with 37% contributed by Federal and State Governments and 16% by client fees. The council contribution to HACC services has increased as a result of output purchases covering a smaller share of the total service.



1.0 Introduction & Definitions

This analysis considers home care, personal care, respite care (home and community), property maintenance, planned activity group (dementia care) and delivered meals. With the exception of PAG Victorian local government is the main HACC provider of these services, but also a significant provider of PAG services.

In this paper HACC services refer to the complement of the aforementioned services. It excludes transport and senior citizens centres maintenance.

Direct service refers to the cost of care workers and direct items related to that care.

The units into which costs are divided refers to direct care units and exclude indirect care workers' hours related to travel time, training time and meeting time, but include the costs of these items.

The review of revenue shifts and unit costs with the exception of the section on council contribution excludes an amount circa \$30k p.a. for respite care provided directly by the Commonwealth Government. The allocation basis for this Commonwealth funding is unknown.

2.0 Background

HACC output purchases are the largest source of specific purpose funding received by local government. HACC funds are provided by both the Commonwealth and State Governments but the distribution of this funding to HACC providers is determined by the State Government. Local government is the main provider of general home care, personal care, respite care, home maintenance & delivered meals. Other providers are more dominant in other HACC services.

Table 1

Expenditure	HACC program*	Local Govt#	Local Govt%
1995-1996	\$ 190,663,137	\$ 80,863,322	42.4%
1996-1997	\$ 203,284,900	\$ 82,106,467	40.4%
1997-1998	\$ 217,344,500	\$ 84,645,489	38.9%
1998-1999	\$ 233,839,200	\$ 89,949,708	38.5%
1999-2000	\$ 249,942,300	\$ 94,594,791	37.8%
Average Annual Growth	7.0%	4.0%	

* includes State Matched and Unmatched excludes Funds for State Govt Program Administration of HACC and Hospital to Home funding

local government recurrent funding which does not include Service Development Grants or Capital Grants

The level of Commonwealth funding of HACC services is dependent upon a "matched" level of funding by the States. The matched component provided by the Victorian Government has effectively been about 62% of Commonwealth funding over recent years. The Victorian Government has also provided additional funding beyond the matched component.

3.0 Output Purchase Prices

The Victorian Government, through the Department of Human Services, has adopted an output based purchasing approach to spending on HACC services over recent years. This involves the determination of a unit purchase price (or subsidy in the case of meals) and the purchase of units of service from HACC providers. The unit price is supposed to offset the costs of direct service (the costs related to carers) and operational support and management. The costs of assessment and care management (A&CM) are supposed to be reflected in a block purchase to providers, rather than the unit price.



Each year the State Government provides for an increase in HACC allocations based on cost escalation and growth (in units). In practice the State Government has shifted costs to councils in a number of ways.

Firstly, the unit prices adopted by the DHS were set at levels substantially below councils' average costs of service provision for the major HACC services. Secondly, the changes in unit prices allowed by DHS have not kept pace with either general movements in prices or council cost increases. Thirdly, the increases in service growth provided by the DHS are believed to be much lower than the rate of growth in demand for HACC services. Finally, the separation of A&CM from the unit cost has meant that there is no automatic adjustment for this component and the DHS has given no indication on what basis the level has been determined.

The unit prices adopted by the DHS over recent years are:

Table 2

	1997-98	1998-99	1999-00	2000-01	2001-02
Home Care	21.50	21.70	21.70	22.13	22.75
Personal Care	24.60	24.80	24.80	25.30	26.01
Respite Care	22.40	22.60	22.60	23.05	23.51
Property Maintenance	33.66	34.00	34.00	34.00	34.00
Planned Activity Group (High)	12.52	12.65	12.65	12.85	13.17
Meals	1.10	1.10	1.10	1.10	1.10

Notes:

1997-98 derived from discounting 1998-99 figure by cost escalation of 1% in that year for services except meals
 1998-99 shadow budget year for output based prices to be tested

If the unit prices had been indexed to the CPI over the same period they would have been:

Table 3

	1997-98	1998-99	1999-00	2000-01	2001-02
Home Care	21.50	21.68	22.25	23.10	23.56
Personal Care	24.60	24.78	25.43	26.40	26.92
Respite Care	22.40	22.58	23.18	24.05	24.54
Property Maintenance	33.66	33.97	34.87	36.19	36.91
PAG - High	12.52	12.64	12.97	13.46	13.73
Meals	1.10	1.11	1.14	1.18	1.21

Notes: 2000-01 CPI discounted by GST effect

2001-02 CPI based on Treasury Estimate

4.0 Assessment & Care Management

DHS elected to fund A&CM as a block purchase rather than through a unit price. Information on aggregate local government funding of A&CM has been available for only the 1999-00 year (although for this project funding details for the City of Darebin have been obtained).

Table 4



	1997-98	1998-99	1999-00	2000-01	2001-02
A&CM	np	np	3,693,093	np	np



5.0 Councils' Average Costs

Average unit costs recorded by the MAV's latest unit cost survey of HACC services were:

Table 5

	1997-98	1998-99	1999-2000	2000-01	2001-02
<i>Average Unit Costs</i>					
Home Care	22.22	22.66	23.08	24.01	24.73
Personal Care	23.70	25.65	27.59	28.78	29.65
Respite Care	26.02	28.16	30.29	31.44	32.38
Property Maintenance	42.53	38.77	35.00	35.86	36.93
PAG Core	9.56	9.13	8.72	8.90	9.17
PAG High	11.86	12.93	14.00	14.42	14.85
Meals	7.19	7.65	8.06	8.28	8.53
<i>Unit Price as % Unit Cost</i>					
Home Care	97%	96%	94%	92%	92%
Personal Care	107%	97%	90%	88%	88%
Respite Care	88%	80%	75%	73%	73%
Property Maintenance	93%	88%	97%	95%	92%
PAG Core	106%	98%	103%	102%	102%
PAG High	79%	98%	90%	89%	89%
Meals	15%	14%	14%	13%	13%

Notes: 1998-99 calculated at mid-point of 1997-98 and 1999-00

2001-02 average based on anticipated minimum of 3% increase in councils costs

The surveys reflected the following A&CM costs per unit of service.

Table 6

	1997-98	1999-00	2000-01
Home Care	2.68	2.50	2.56
Personal Care	3.36	4.19	4.30
Respite Care	3.36	2.59	2.63
Home Care, Personal Care & Respite Care	2.88	2.84	2.91
Property Maintenance	4.55	3.18	3.27
PAG - Core	0.86	0.88	0.91
PAG High	0.47	0.79	0.82



6.0 City of Darebin

6.1 Service Units

The City of Darebin is one of the largest council HACC providers. Service units provided over recent years are:

Table 7

Program	1997-98	1998-99	1999-00	2000-01
General Home Care	94,420	96,128	92,631	88,043
Personal Care	17,563	22,260	18,808	22,668
<i>Child Respite</i>	<i>13,987</i>	<i>15,573</i>	<i>13,194</i>	<i>10,614</i>
<i>Adult Respite</i>	<i>6,445</i>	<i>9,921</i>	<i>8,615</i>	<i>8,873</i>
Respite Care	20,432	25,494	21,809	19,487
Property Maintenance	5,146	8,955	5,896	6,736
PAG High	13,784	16,569	15,199	14,391
Meals	226,480	228,724	206,180	211,079

Note: Financial Years



6.2 Total Expenses

The costs of HACC service provision recorded in the City of Darebin in 1999-00 and 2000-01 are summarised in the following table. OS&M refers to operational support and management which includes management, coordination and administrative support provided for HACC services.

Table 8

	Direct Service Units	Service (\$000)	OS&M (\$000)	A&CM (\$000)	Total (\$000)	Unit Cost (\$)	Unit Cost ex-A&CM (\$)
1999-00							
Home Care	96,126	2,434.8	224.4	167.1	2,826.3	29.40	27.66
Personal Care	20,422	509.0	167.7	167.1	843.8	41.32	33.14
Respite Care	22,907	624.9	148.7	167.1	940.7	41.07	33.77
Property Maintenance	5,896	216.3	72.4		288.7	48.96	48.96
PAG High	15,199	237.3	9.5		246.8	16.24	16.24
Meals	206,180	1,869.5	58.0	42.1	1,973.8	9.57	9.37
2000-01							
Home Care	88,043	2,413.7	369.9	179.1	2,962.7	33.65	31.62
Personal Care	22,668	609.6	283.8	179.1	1,072.4	47.31	39.41
Respite Care	19,487	592.5	254.9	179.1	1,026.5	52.68	43.49
Property Maintenance	6,736	258.2	50.9		309.1	45.89	45.89
PAG High	14,391	264.9			264.9	18.41	18.41
Meals	211,079	1,970.5	6.6		1,977.1	9.37	9.37

Notes: 1999-00 is April through March for Home, Personal & Respite Care
 2000-01 Food Services Coordination included in Service not OS&M
 2000-01 Dementia Care Coordination included in Service not OS&M

6.3 Unit Costs

Unit costs for the City of Darebin increased markedly between 1999-00 and 2000-01 as a result of increases in both direct care and support costs. There was a significant increase in OS&M costs as a result of a restructure - from \$681k to \$966k for the above programs. Among the changes were the addition of four team leaders to effect coordination of home, personal and respite care services. Conversely, the combined number of direct service hours of home, personal and respite care declined. Relatively high OS&M costs related to meals in 1999-00 were due to particular difficulties concerning that service.

The City of Darebin's unit costs are higher than the averages recorded in MAV surveys. The last MAV survey, covering 12 Councils, included one Council with more hours of service than the City of Darebin. This Council also recorded unit costs which were higher than, but much closer to the average, than the City of Darebin. It had significantly lower OS&M and A&CM costs.

Table 9

Unit Costs (ex-A&CM)	1999-00 Council Average	1999-00 City of Darebin	2000-01 Council Average	2000-01 City of Darebin
Home Care	23.08	27.66	24.01	31.62
Personal Care	27.59	33.14	28.78	39.41
Respite Care	30.29	33.77	31.44	43.49
Property Maintenance	35.00	48.96	35.86	45.89
PAG High	14.00	16.24	14.42	18.41
Meals	8.06	9.37	8.28	9.37
Unit Costs	1999-00	1999-00	2000-01	2000-01



(including-A&CM)	Council Average	City of Darebin	Council Average	City of Darebin
Home Care	25.58	29.40	26.57	33.65
Personal Care	31.78	41.32	33.08	47.31
Respite Care	32.86	41.07	34.07	52.68
Property Maintenance	38.19	48.96	39.12	45.89
PAG High	14.79	16.24	15.24	18.41
Meals	8.41	9.57	8.65	9.37

6.4 Grant & Subsidy Income

The following table sets out the income received by the City of Darebin from HACC output purchases over recent years.

Table 10

	1997-98	1998-99	1999-00	2000-01
<i>Home Care</i>	1,038,328	944,083	976,500	1,038,984
Personal Care	584,060	533,856	540,367	551,262
Respite Care	284,525	546,044	463,594	472,825
Respite Care (C'wealth)	27,132	32,495	30,482	30,902
Property Maintenance	153,507	160,651	153,476	153,551
PAG High	162,414	173,000	173,629	206,555
Delivered Meals	280,780	259,160	259,160	242,007
Assessment	113,611	86,255	137,121	139,315
Total	2,644,357	2,703,049	2,734,329	2,835,401

Note: C'wealth Respite funding is not a DHS Output Purchase

6.5 Deficiency in Unit Prices & Cost Shifting

Table 12 below sets out the difference in revenue that the City would have received from output purchases if:

- A. output prices set by DHS had been indexed to the CPI (discounted by the GST impact in 2000-01);
- B. output prices had been set at the average cost of councils; and
- C. output prices consistently reflected the same share of councils' average unit cost;

Table 11

	1997-98	1998-99	1999-00	2000-01
<i>Service Units "Purchased"</i>				
<i>Home Care</i>	48,333	43,506	45,000	46,949
Personal Care	23,789	21,526	21,789	21,789
Respite Care	12,717	24,161	21,862	21,854
Home Care, Personal & Respite Care	84,838	89,194	87,302	89,251
Property	4,561	4,725	4,514	4,516



Maintenance				
PAG High	12,969	13,676	13,726	16,074
<i>Service Units "subsidised"</i>				
Meals	255,255	235,600	235,600	220,006

The number of units purchased is determined by the DHS output purchase divided by the unit price.



Table 12

Service	Basis	1997-98	1998-99	1999-00	2000-01	Total
<i>Home Care</i>	A	-	(859)	24,934	45,396	69,471
	B	35,621	41,322	62,082	88,314	227,339
	C	-	8,638	27,634	50,924	87,196
Personal Care	A	-	(486)	13,798	23,891	37,203
	B	(36,065)	10,998	60,702	75,868	111,504
	C	-	46,857	100,260	117,142	264,259
Respite Care	A	-	(497)	11,838	20,613	31,953
	B	37,209	125,549	157,798	172,050	492,607
	C	-	47,878	85,933	97,469	231,280
Property Maintenance	A	-	(146)	3,919	9,885	13,657
	B	40,452	22,525	4,534	8,381	75,892
	C	-	(15,678)	(28,420)	(25,391)	(69,489)
PAG High	A	-	(157)	4,433	9,875	14,151
	B	(8,605)	3,832	18,535	25,249	39,011
	C	-	13,725	29,285	38,217	81,227
Meals	A	-	2,380	9,302	18,181	29,862
	C	-	15,668	31,336	36,830	83,834
Total	A	-	235	68,224	127,840	196,298
	B	68,612	204,227	303,651	369,863	946,353
	C	-	117,087	246,028	315,190	678,306
Total ex-Property Maintenance	A	-	381	64,305	117,955	182,641
	B	28,160	181,701	299,117	361,482	870,461
	C	-	132,765	274,448	340,582	747,795
Total ex-Property Maintenance plus Meals	B(1)	28,160	184,081	308,419	379,663	900,323
	B(2)	28,160	197,369	330,453	398,312	954,295



The analysis includes totals both inclusive and exclusive of the cost shifts related to property maintenance. Surveys have shown that property maintenance is subject to considerable variation depending on whether qualified tradesmen are used. This has resulted in an inability to arrive at a realistic averagecost for councils.

Delivered meals have never been regarded as the subject of unit purchasing but of subsidy funding. Hence assessment of the cost shift where output prices had been set at the average cost of councils is not relevant (Basis B). The totals (B1) and (B2) show what would have happened if output prices had been set at councils' average cost for all services except meals where they have been indexed by methods A and C.

The analysis shows that:

- if HACC unit prices adopted by DHS had been indexed to general price increases an additional \$183k would have been received between 1997-98 and 2000-01;
- if HACC unit prices reflected the average costs of council service provision an additional \$954k would have been received; and
- if HACC unit prices consistently reflected the same share of councils' average unit costs a further \$748k would have been obtained.

6.6 Assessment & Care Management

The City of Darebin showed A&CM costs per unit of service and ACM costs as a ratio of direct service costs as follows:

Table 13

	1999-00	2000-01
Home Care	1.74	2.03
Personal Care	8.18	7.90
Respite Care	7.30	9.18
Home Care, Personal & Respite Care	3.60	4.13
Home Care	7%	7%
Personal Care	33%	29%
Respite Care	27%	30%
Home Care, Personal & Respite Care	14%	15%

The level of A&CM in the City of Darebin was therefore slightly higher than the average for councils (Refer Table 6) where it accounted for 12% of direct service costs.

Table 14 sets out the difference in revenue that the City would have received if:

- A. the block purchase per direct service unit had been indexed to the CPI (discounted by the GST impact in 2000-01);
- B. the block purchase per direct service unit had been set at the average cost of councils; and
- C. the block purchase per direct service unit had consistently reflected the same share of councils' average unit cost.



Table 14

Basis of Cost Shift	1997-98	1998-99	1999-00	2000-01	Total
A.	-	34,286	(16,014)	(10,815)	7,457
B.	130,722	168,839	110,817	120,406	530,784
% of A&CM expenses covered by grant	46%	34%	55%	54%	53%
C.	-	32,359	(21,834)	(18,549)	(8,024)
% of A&CM expenses covered by grant	46%	46%	46%	46%	46%

6. 7 Total Impact

The impact of the deficiency in HACC output purchases and the effect of cost shifting from 1997-98 to 2000-01 can be summarised as:

A.. additional funding if DHS unit prices & A&CM block funding indexed to CPI:

Unit Prices	\$183k
A&CM	\$7k
Total	\$190k

B. additional funding if DHS unit prices & A&CM block funding set at councils' average costs and meals subsidy maintained at same % of average unit cost:

Unit Prices	\$954k
A&CM	\$539k
Total	\$1.49m

C. additional funding if DHS unit prices and A&CM block funding had consistently reflected the same share of councils' average unit costs:

Unit Prices	\$748k
A&CM (\$8k nil)	
Total	\$740k

6. 8 Council Contribution to HACC services

The above analysis reflected on the cost issues related to the service nominally purchased by DHS. It is also useful to look at the change in shares of total costs borne by output purchases, user income and council (the council contribution) for the City.

The analysis indicates that for the HACC services the council contribution increased from 45% to 47% between 1999-2000 and 2000-2001.

Table 15

1999-00	Output Purchases & Grants	Fees & Charges	Council Contribution	Total
Home Care	976,500	327,808	1,354,856	2,659,164
Personal Care	540,367	43,921	92,424	676,712
Respite Care	494,076	33,261	246,261	773,598
Property	153,476	59,340	75,833	288,649



Maintenance				
PAG High	173,629	33,614	39,570	246,813
Meals	259,160	667,518	1,005,009	1,931,687
A&CM	137,121		406,325	543,446
Total	2,734,329	1,165,462	3,220,278	7,120,069
Home Care	37%	12%	51%	100%
Personal Care	80%	6%	14%	100%
Respite Care	64%	4%	32%	100%
Property Maintenance	53%	21%	26%	100%
PAG High	70%	14%	16%	100%
Meals	13%	35%	52%	100%
A&CM	25%	0%	75%	100%
Total	38%	16%	45%	100%
2000-01				
Home Care	1,038,984	311,572	1,433,056	2,783,612
Personal Care	551,262	52,936	289,169	893,367
Respite Care	503,727	33,261	310,476	847,464
Property Maintenance	153,551	58,908	96,643	309,102
PAG High	206,555	29,942	28,440	264,937
Meals	242,007	735,857	999,280	1,977,144
A&CM	139,315	0	397,886	537,201
Total	2,835,401	1,222,476	3,554,950	7,612,827
Home Care	37%	11%	51%	100%
Personal Care	62%	6%	32%	100%
Respite Care	59%	4%	37%	100%
Property Maintenance	50%	19%	31%	100%
PAG High	78%	11%	11%	100%
Meals	12%	37%	51%	100%
A&CM	26%	0%	74%	100%
Total	37%	16%	47%	100%

This figure is consistent with the findings of recent work undertaken by council although there are differences for individual services. This work indicated that the City's contribution may have increased from 36% in 1995-96.