

21 November 2018

Mr John Watson
Chairman
Victoria Grants Commission
Department of Environment, Land, Water and Planning
PO Box 500
EAST MELBOURNE VIC 8002

Dear Mr Watson

2018 Submission to Victoria Grants Commission

I refer to your letter of 25 September 2018 inviting Council to make a submission in relation to the overall set of cost adjusters and drivers to be applied to each expenditure function from 2019/20.

Thank you for the opportunity to make a submission to the Commission, and for giving due consideration to Council's submission made in 2017.

In response to Council's 2017 submission, the Commission advised as follows:

"The Commission acknowledges the costs associated with provision and maintenance of recreation, cultural facilities and services for permanent and part-time residents or non-resident ratepayers within Bass Coast Shire Council and will continue to monitor the impact of non-resident ratepayers on council expenditure."

Council understands that, given the significant amount of new data that was being brought into the model in 2017/18 from the 2016 census, the Commission felt that it would be prudent not to make any major changes to the underlying formula, apart from a necessary change to the calculation of relative capacity to raise rate revenue to take account of the introduction of rate capping.

Council also acknowledges and appreciates that a significant change was made to the formula in 2017 which gave increased recognition to non-residents and was strongly positive for councils such as Bass Coast.

As indicated in Council's 2017 submission, we have taken the time to clearly understand the full horizontal equalisation basis on which grants are allocated and, in particular, the use of major cost drivers to calculate Gross Standardised Expenditure for two of the expenditure functions – Recreation and Culture and Traffic and Street Management – which we request

utilise Modified Population Adjusted by Vacancy Rates (minimum 15,000) as the cost driver to better reflect the needs of councils and ensure that all councils can operate, by reasonable effort, on a similar average standard in accordance with the national distribution principles.

In its 2017 submission, Council provided a copy of a report prepared by the Australian Population and Migration Research Centre “Time and tide: moving towards an understanding of temporal population changes in coastal Australia”. I would like to reiterate the conclusion of that report:

*“Sea change areas arguably experience the largest seasonal fluctuations in population of any areas in Australia. **In southern Australia, especially, the Census is taken at a time which is the extreme trough of those variations.** Accordingly, in the interests of equity, it is important to have a measure of the size of temporary residents in order to better plan the provision of utilities, infrastructure and services in those areas.*

The timing of the Census exacerbates the impact of part-time residents by also reducing the permanent population count i.e. if the Census was undertaken at a different time of the year, the permanent population determined for Councils in southern Australia would be greater.

The Commission currently recognises the impact of part-time populations on three of the expenditure functions (Governance; Environment; and Business and Economic Services) by applying a Major Cost Driver of Modified Population Adjusted by Vacancy Rates. We (again) submit that the Major Cost Driver of Modified Population Adjusted by Vacancy Rates (minimum 15,000) should also be applied to the expenditure functions of Recreation and Culture, and Traffic and Street Management.

Our rationale for suggesting the change is outlined below, along with comments as to why we believe the cost drivers used for the other expenditure functions are appropriate.

Major Cost Drivers used to Calculate Gross Standardised Expenditure

1. Governance

Major Cost Driver = Modified Population Adjusted by Vacancy Rates (minimum 20,000)

We support the use of this Major Cost Driver for the Governance Expenditure Function on the basis that the cost of Governance is driven more by the number of rateable properties, associated ratepayers and voters than by the number of permanent residents.

2. Family and Community Services

Major Cost Driver = Population

We support the use of this Major Cost Driver for the Family and Community Services Expenditure Function on the basis that the cost of Family and Community Services is driven by resident population and its associated demographic profile.

3. Aged and Disabled Services

Major Cost Driver = Population >60 Years + Disabled + Carers

We support the use of this Major Cost Driver for the Aged and Disabled Services Expenditure Function on the basis that the cost of Aged and Disabled Services is driven by the number of people in the target groups.

4. Recreation and Culture

Major Cost Driver = Population

Suggested Major Cost Driver = Modified Population Adjusted by Vacancy Rates (minimum 15,000)

We request that the Major Cost Driver for the Recreation and Culture Expenditure Function be Modified Population Adjusted by Vacancy Rates (minimum 15,000) on the basis that the cost of Recreation and Culture is driven by the following factors:

I. The number of rateable properties and associated ratepayers.

For example, the provision of public open space in new subdivisions is determined by the total area of the subdivision and the number of lots to be created, not by the number of permanent residents that might occupy those lots. The subsequent cost to Council of maintaining that public open space is not reduced as a result of non-resident owners purchasing some of the lots.

II. The provision and maintenance of recreation and culture facilities and services, particularly parks and reserves, waterways, lakes and beaches (and associated infrastructure), must reflect demand. In municipalities such as Bass Coast, there is a community expectation that those facilities and services will cater for:

i. our permanent residents; and

- ii. our part-time residents (non-resident ratepayers) who generally occupy their premises at times when recreation and culture facilities and services are in highest demand (weekends, public holidays, peak season);
- iii. visitors who put additional pressure on the Recreation and Culture infrastructure and services, particularly during the peak tourism season and during major events.

For example, our mowing and garden maintenance schedules are similar to other Councils with similar weather and rainfall patterns i.e. they are driven by need (rates of vegetation growth etc.) rather than by the number of permanent residents that live in Bass Coast.

- III. Similarly, costs associated with the provision and maintenance of cultural facilities such as Performing Arts Centres and Libraries are driven by all stakeholders including permanent and part-time residents.

An example is Library Services. As outlined in the attached report drawn from the Know Your Council website (Attachment 2), our performance in terms of the number of loans is well above the State average, the age of our collection is lower than the state average, our direct cost per visit is only slightly less than the state average, but compared to municipal population our percentage of active library members is almost double the state average indicating that many of our non-resident ratepayers and/or regular visitors are members of our libraries. Our costs are driven by the number of branches operated (including mobile branch) and the usage of those facilities by members and others.

5. Waste Management

Major Cost Driver = Dwellings

We support the use of this Major Cost Driver for the Waste Management Expenditure Function on the basis that the cost of Waste Management is predominantly driven by the number of dwellings. e.g. Residential waste collection services are provided to and utilised by all dwellings, not just those occupied on a permanent basis.

6. Traffic and Street Management

Major Cost Driver = Population

Suggested Major Cost Driver = Modified Population Adjusted by Vacancy Rates (minimum 15,000)

We request that the Major Cost Driver for the Traffic and Street Management Expenditure Function be Modified Population Adjusted by Vacancy Rates (minimum 15,000) on the basis that the cost of Traffic and Street Management is driven by the following factors:

- I. The various components that contribute to Traffic and Street Management expenditure – footpaths, kerb and channel, traffic control, parking, street lighting, street cleaning etc. – reflect need.

For example, Street Lights are programmed to operate at night irrespective of the amount of traffic and/or pedestrians that might be utilising lit areas or whether properties within the urban boundaries are occupied by permanent or part-time residents. The basis of footpath provision and maintenance in residential areas is safety and amenity, not whether adjacent homes are permanently occupied or not.

- II. The number of rateable properties and associated ratepayers/residents (full-time and part-time).

For example, the provision and maintenance of footpaths, kerb and channel, street lighting etc. is predominantly influenced by the number of rateable properties and the distribution of those properties across a municipality, rather than by the type of occupancy i.e. full-time or part-time.

- III. The provision of Traffic and Street Management infrastructure and services in new subdivisions is determined by the total area of the subdivision, the number of lots to be created and the associated traffic management plan, not by the number of permanent residents that might occupy those lots. The subsequent cost to Council of maintaining that Traffic and Street Management infrastructure is not reduced as a result of the type of occupancy. e.g. kerb and channel and footpath maintenance.
- IV. The provision and maintenance of Traffic and Street Management infrastructure and services must reflect demand. In municipalities such as Bass Coast, there is a community expectation that those facilities and services will cater for:

- i. our permanent residents;
- ii. our part-time residents (non-resident ratepayers) who generally utilise Traffic and Street Management infrastructure and services at the busiest times (weekends, public holidays, peak season); and
- iii. visitors who put additional pressure on the Traffic and Street Management infrastructure and services, particularly during the peak tourism season and during major events.

7. Environment

Major Cost Driver = Modified Population Adjusted by Vacancy Rates (double to max. 15,000)

We support the use of this Major Cost Driver for the Environment Expenditure Function on the basis that the cost of Environment Services is driven by need and the number of rateable properties rather than by permanent population. e.g. Drainage infrastructure and maintenance is predominantly influenced by the number of rateable properties and their distribution rather than the number of permanent residents.

8. Business & Economic Services

Major Cost Driver = Modified Population Adjusted by Vacancy Rates (double to max. 15,000)

We support the use of this Major Cost Driver for the Business & Economic Services Expenditure Function on the basis that the cost of these services is driven by both resident and non-resident population.

Thank you again for the opportunity to make a submission.

Yours sincerely



Paul Buckley PSM
Chief Executive Officer

Ref: ED18/155819

H.5 Submission to Victoria Grants Commission

File No: CMI8/771
Division: Executive Office
Council Plan Strategic Objective: Advocacy

Representing the community

Declaration

The author has no direct or indirect interests in relation to this report.

Summary

The purpose of this report is to seek Council endorsement of a submission to the Victoria Grants Commission seeking a change to the major cost drivers used to calculate Gross Standardised Expenditure in relation to two expenditure functions. Consistent with Council's focus on Advocacy, the requested change, if accepted by the Commission, would better reflect Council's expenditure needs and result in an increased allocation to Council.

This report recommends that Council approve the attached draft submission.

Background

The Council Plan 2017-2021 "Shaping a better Bass Coast" includes a theme "Advocacy" which requires Council to endeavor to attract additional State and Federal Government funding support. One of Council's major revenue sources is the Commonwealth Government's Financial Assistance Grants.

Councils across Australia receive Financial Assistance Grants from the Commonwealth Government. Allocations from the Commonwealth are made to each State and, in turn, State Grants Commissions are established to determine the distribution of the State allocation amongst local Councils.

Councils have been invited to make a submission to the Victoria Grants Commission about the overall set of cost adjusters to be used and the cost drivers to be applied to each expenditure function.

Councils with high proportions of non-resident ratepayers, such as Bass Coast, are disadvantaged by some components of the formula used to determine individual allocations due to permanent population being used as the cost driver.

The attached draft submission is an important example of Council's focus on Advocacy. It has been prepared in response to what Council heard during the development of the Council Plan and following detailed analysis of the formula used by the Victoria Grants Commission to determine grants to individual Councils.

Council made a submission to the Victoria Grants Commission in 2017. In response, the Commission Advised as follows:

"The Commission acknowledges the costs associated with provision and maintenance of recreation, cultural facilities and services for permanent and part-time residents or non-resident ratepayers within Bass Coast Shire Council and will continue to monitor the impact of non-resident ratepayers on council expenditure."

Strategic Basis**Council Plan Objective:***Advocacy – Representing the Community***Strategic Outcome:**

- Improve State and Federal government investment into roads, facilities and services in Bass Coast
- Increase educational opportunities across the municipality
- Improve health and educational infrastructure and services in Bass Coast
- Articulate the community priorities for improvement to the state road network
- Influence regional strategies on public transport to meet community needs.
- ***Develop a submission to Federal and State governments that identifies why additional funding support should be provided to Bass Coast Shire Council.***

Strategic Indicators	Measures
Community Satisfaction with Advocacy	<ul style="list-style-type: none"> • Meet top quartile of Large Rural Councils
Develop and Implement an Advocacy Strategy	<ul style="list-style-type: none"> • Strategy developed with annual actions identified and completed
<i>State and Federal Government funding for facilities and services</i>	<ul style="list-style-type: none"> • <i>Funding provided from State and Federal Government</i> • <i>Number of applications submitted for grants</i>
<i>Submission to Federal and State governments for additional funding support developed</i>	<ul style="list-style-type: none"> • <i>Submission prepared by September 2017</i>

Major Initiative / InitiativeDevelop an Advocacy Strategy

Council adopted an Advocacy Strategy in August 2018 titled “Representing our community: shaping our future”. In addition to this, Council has been actively advocating for a range of priority projects and made a submission to the 2017 State Budget. Successful outcomes to date have included:

- Wonthaggi Hospital Upgrade - \$115 million
- Wonthaggi Secondary College New Senior Campus - \$25 million
- Philip Island Integrated Transport Strategy Stage 2 – Phillip Island Road/Back Beach Road Intersection Upgrade - \$9.7 million
- Wonthaggi Highball Stadium – Indoor Sports Hub & Centre for Basketball - \$6 million
- Transfer of current Wonthaggi Secondary College Senior Campus site to Council

Discussion

The role of the Victoria Grants Commission is to determine the allocation of financial assistance grants provided by the Commonwealth Government to Victorian Councils.

The Victoria Grants Commission allocates general purpose grants in accordance with a set of nationally agreed principles. The methodology takes into account each Council's assessed relative expenditure needs and relative capacity to raise revenue. Standardised expenditure is calculated for each Council on the basis of nine expenditure functions. For each expenditure function a major cost driver (or unit of need) is used, which is seen by the Commission to be the most significant determinant of a council's expenditure need on a particular function. The following table details the Major Cost Drivers currently used for each expenditure function.

Expenditure Function	Major Cost Driver
Governance	Population (adjusted)
Family & Community Services	Population
Aged & Disabled Services	Population >60 + Disability Pensioners + Carer's Allowance Recipients
Recreation & Culture	Population
Waste Management	Number of dwellings
Traffic & Street Management	Population (adjusted)
Business & Economic Services	Population (adjusted)

The attached draft submission (AT-1) to the Commission, requests that the major cost driver used for two of the expenditure functions – Recreation and Culture and Traffic and Street Management – be changed from Population to Modified Population Adjusted by Vacancy Rates (minimum 15,000) to better reflect the expenditure needs of Councils with high rates of non-resident (part-time) owners. Modified Population Adjusted by Vacancy Rates is currently used in relation to the Governance, Environment and Business and Economic Services expenditure functions.

Bass Coast Shire Council has the highest proportion of non-resident ratepayers in Victoria. The use of permanent population as the major cost driver for the expenditure functions of Recreation and Culture and Traffic and Street Management severely disadvantages the Bass Coast community in the distribution of Commonwealth Financial Assistance Grants. The cost of providing these services is not driven by whether or not properties within the municipality are permanently occupied or not and therefore it is recommended that the cost drivers used to calculate standardised expenditure for these functions should be Modified Population Adjusted by Vacancy Rates (minimum 15,000) to better reflect Bass Coast Shire Council's expenditure needs.

Finances

In 2017/18 the average general purpose grant allocated to Large Rural Shires in Victoria was \$5.011 million, whilst the grant to Bass Coast was \$4.627 million. To put the allocation in further context, the allocations to our neighbouring Councils were as follows – South Gippsland Shire Council \$5.557 million and Baw Baw Shire Council \$6.215 million, and the average to all Gippsland Councils was \$7.257 million. The major differencing factor is the use of resident population rather than modified population to determine standardised expenditure in the Recreation and Culture and Traffic and Street Management expenditure functions.

Whilst the exact increase in grant if the Commission accepts Council's argument is difficult to determine, it is reasonable to expect Bass Coast would receive a greater share of the overall Victorian allocation.

The outcome of the Commission's consideration of submissions will not be known in time for the 2019/20 Budget – any change to Council's grant would be reflected in future budgets and a revised long-term financial plan.

Stakeholders

The stakeholders in relation to this issue are:

- Bass Coast Shire Council
- Bass Coast Shire Council Ratepayers and Residents
- The Victoria Grants Commission
- Other Victorian Councils

The Bass Coast community made it very clear during the consultation and engagement process for the development of the Council Plan that it expected Council to advocate on its behalf for greater financial support from State and Federal Governments. The presentation of a submission to the Victoria Grants Commission is a major opportunity to identify why additional funding support should be provided to Bass Coast Shire Council.

The submission has been prepared following detailed analysis of the complex formula used by the Victoria Grants Commission to determine the allocation of grants.

In terms of the IAP2 spectrum of consultation, this report has been prepared to inform the community that a submission has been prepared in response to what we heard during the development of the Council Plan, particularly in relation the Advocacy theme – representing our community.

Other Options

Council has the option of not making a submission to the Victoria Grants Commission, however this would not be consistent with what the community requested in terms of advocacy and specifically seeking additional financial support from the State and Federal Governments.

Council also has the option of making changes to the attached, recommended draft submission.

Conclusion

Council has an opportunity to make a submission to the Victoria Grants Commission seeking a more equitable share of the Commonwealth Government's Financial Assistance Grants. The attached recommended submission has been prepared based on a detailed analysis of the various cost drivers and adjusters that are used to determine the distribution of grants amongst Victorian Councils. It is recommended that the attached submission be approved and lodged with the Victoria Grants Commission.

Recommendation

That Council approve the attached submission to the Victoria Grants Commission requesting a change to two of the major cost drivers used to determine individual Council grants – Recreation and Culture and Traffic and Street Management – to ensure a more equitable distribution of the Commonwealth Government's Financial Assistance Grants to Councils with high levels of non-resident ratepayers.

Attachments

AT-1	Bass Coast Shire Council Victoria Grants Commission Submission 2018-19	6 Pages
AT-2	2017-18 Know Your Council Libraries data	5 Pages

Council Decision

Moved: Cr. Pamela Rothfield / Seconded: Cr. Michael Whelan

That the recommendation be adopted.

CARRIED