



Legislative Council Economy and Infrastructure Committee

Inquiry: Inquiry into Local Government funding and services

Hearing Date: 7 October 2024

Question[s] taken on notice

Directed to: Hobsons Bay City Council

Received Date: 29 October 2024

1. David DAVIS, Pages 17 & 18

Question asked:

David DAVIS: And the share of the money coming via the grants commission, which is a state-administered body but largely administering federally derived funds – this is correct, isn't it?

Andrew McLEOD: Yes, I believe that is the case.

David DAVIS: And what has happened to the revenue flow from the grants commission?

Andrew McLEOD: I would have to take that on notice in terms of the actual make-up of where and to which parts the grant commission is going, but I mean, overall there is a general reduction in the availability of grants and the –

David DAVIS: But the block grants from the grants commission are now a tiny percentage of your income.

Andrew McLEOD: Yes.

David DAVIS: A tiny percentage. Can you perhaps take that on notice?

Response:

In **2019/20**, while **Hobsons Bay City Council** received nearly **\$5,000,000** in federal recurrent grant funding, the overall cost to run community support services for that year was estimated to be around **\$10,636,669**. This resulted in a funding shortfall of **\$5,636,669**, with federal funding covering approximately **47%** of the total cost.

The significant decrease in federal recurrent grant funding between the **2019/20 and 2023/24** financial years reflects both the Federal Government's decision to no longer fund **Home Care** Services and Hobsons Bay City Council's strategic decision to divest from several community support services. If Hobsons Bay had continued to run the **Home Care** program, it would have been wholly unfunded and have cost Council approximately **\$10.6 million** per year to manage in-house.

The decision to withdraw from these services was driven by the fact that the federal grant funding provided was grossly insufficient to cover the true costs of delivering these programs. For example, services such as home care, personal care, and respite services (which are now privatised) were already heavily underfunded and the costs of maintaining these services with no federal assistance rendered the programs financially unsustainable for Council.

By divesting from these programs, Hobsons Bay City Council has been able to eliminate the financial burden of subsidising these underfunded programs. While Council no longer receives grant funding for these services, this transition has ultimately been beneficial, allowing Hobsons Bay City Council to focus its resources on areas where it can have a greater impact.

Program	2019/20 Actuals	2023/24 Actuals	Difference
5225. Grants Federal recurrent	\$4,917,529	\$1,837,909	- - \$3,079,620
Strategy, Economy & Sustainability	\$14,606	\$0	-\$14,606
Strategic and Social Planning	\$14,606	\$0	-\$14,606
51229. Aged Planning	\$14,606	\$0	-\$14,606
Community Life	\$4,902,923	\$1,837,909	-\$3,065,014
Community Support	\$4,902,923	\$1,837,909	-\$3,065,014
44234. Planned Activity Group Centres	\$0	\$616,487	\$616,487
44339. Cafe Meals Program	\$3,268	\$2,013	-\$1,255
45395. Care & Assessment Mgmt (over 65)	\$0	\$644,884	\$644,884
45401. Sector Support Dev (over 65)	\$62,844	\$0	-\$62,844
45402. Cottage Respite	\$340,418	\$46,062	-\$294,356
45404. Flexible Respite	\$336,113	\$0	-\$336,113
45406. Centre Based Respite	\$540,443	\$0	-\$540,443
45409. Home Care (over 65)	\$1,447,292	\$0	-\$1,447,292
45410. Personal Care (over 65)	\$960,075	\$0	-\$960,075
45411. Centre Based Core (over 65)	\$562,610	\$0	-\$562,610
45415. Transport	\$149,446	\$0	-\$149,446
45416. Meal Supply (over 65)	\$330,586	\$291,627	-\$38,960
45419. Home Maintenance (over 65)	\$169,829	\$121,644	-\$48,185
51612. Community Transport	\$0	\$115,193	\$115,193

Figure 1 - Hobsons Bay City Council Federal Recurrent Grant Funding

Community Care Department – Financial history

	2013/14 Actuals	2014/15 Actuals	2015/16 Actuals	2016/17 Actuals	2017/18 Forecast
INCOME					
User fees	(1,042,375)	(1,131,605)	(1,779,278)	(2,751,551)	(2,129,105)
Other income	(10,657)	(4,313)	(6,016)	(3,502)	(3,450)
Government Grants	(6,474,826)	(6,192,410)	(6,646,124)	(6,336,527)	(6,133,620)
Total Income	(7,527,857)	(7,328,328)	(8431,417)	(9,091,580)	(8,266,175)
EXPENDITURE					
Employee costs	8,331,371	8,337,748	8,718,672	8,295,759	8,300,700
Materials and services	2,294,771	2,153,261	2,426,377	2,241,229	2,317,969
Bad and doubtful debts	15,497	8,428	20,654	3,777	18,000
Other expenses	40,120	8,139	5,897	1,840	0
Total expenditure	10,681,759	10,507,577	11,171,600	10,542,605	10,636,669
TOTAL NET OPERATIONAL COST TO COUNCIL	3,153,902	3,179,249	2,740,183	1,451,025	2,370,494

Figure 2 - Cost to Council to provide Community Support Services (2019-20 financial year)

2. Gaelle BROAD, Page 20

Question asked:

Gaelle BROAD: Thank you very much for your contribution to the inquiry. We appreciate it. I was just interested. You mentioned council elections earlier. Has the council faced any increased costs in running elections?

Andrew McLEOD: I would have to take that on notice on how it compares to four years ago. It is not significant between now and then – I know that definitively because we had enough provision in our budgets. But in terms of the general premise here, there is no contested pricing. I once upon a time came from New South Wales, where you could opt to either use an externally provided service or you could choose to run your elections yourself. I think the ability to have some level of competitive process would at least give the community a context that a very significant administrative expense is as efficient and cost-effective as it can be. I think that is the point. It is a blank cheque; we just have to pay the bill. But being in a position where we could at least be satisfied that the rigours that we are required to apply in any other type of purchase were applied in this sense.

Gaelle BROAD: It would be helpful if you could expand on that in writing I guess if you had any consultation with the government, because I know there have been changes to the recent council elections, but just to the process generally that would be great.

Response:

Between 2009 and 2021, the total costs associated with running Council elections through the Victorian Electoral Commission (VEC) have fluctuated moderately. The costs were:

- **2009:** \$365,319
- **2013:** \$336,933 (a decrease of 7.8%)
- **2017:** \$386,503 (an increase of 14.7%)
- **2021:** \$405,547 (an increase of 4.9%)
- **2024:** \$456,114 (*estimated spend)

These figures show that while there were slight variations from one election cycle to the next, the overall trend indicates a rise in election costs over the fifteen-year period.

VEC Costs vs. Council's Revenue Raising Ability (Rate Cap)

While the VEC costs have steadily increased, Hobsons Bay City Council's ability to raise revenue through rates has been constrained by the State Government's rate cap. For example:

- Between 2017 and 2021, the rate cap increased by a total of **5.0%** (from 2.0% in 2017-18 to 2.5% in 2021-22), but during the same period, the cost of running elections increased by **14.7%**.
- Similarly, in 2024, we anticipate the VEC costs will rise by **12.5%**, while the rate cap increase has only been **3.5%**.

This disparity between rising election costs and the capped revenue growth limits Council's ability to cover these additional expenses, forcing further pressure on Council budgets.

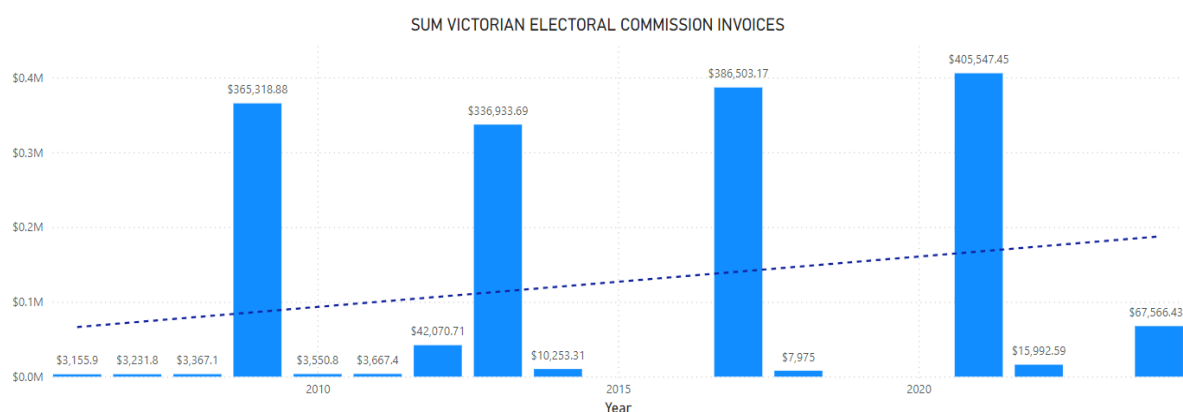


Figure 3 - SUM Invoices from Victorian Electoral Commission 2006 to 2024.

Phase-Related Invoices from the VEC

The small amounts in election-related costs are due to **phase-related invoices** received from the VEC. These smaller charges arise as the VEC progresses through different stages of election planning and execution.

2024 Council Election Budget

Looking ahead, Hobsons Bay City Council has budgeted **\$456,114** to pay the VEC for the 2024 Council elections. This budgeted amount reflects the continuing upward trend in election-related costs and places additional strain on Council's financial resources, especially in light of the rate cap restrictions.

**Hobsons Bay City
Council
11020. BB - Election
Management Program
OPS Summary Details**

OPS Summary	Program	Account	Annual Forecast
Expenditure			
Materials and services	BB - Election Management	Professional Services	\$ 456,114
Materials and services	BB - Election Management	Administration Expenses	\$0
Materials and services	BB - Election Management	Catering Expenses	\$0
Materials and services	BB - Election Management	Contracts	\$0
Total Expenditure			\$ 456,114

Figure 4 – Budgeted amount for 2024 Council elections.

Financial year	Rate cap
2024-25	2.75%
2023-24	3.50%
2022-23	1.75%
2021-22	1.50%
2020-21	2.00%
2019-20	2.50%
2018-19	2.25%
2017-18	2.00%
2016-17	2.50%

Figure 5 – Previous Rate Caps | source: [Annual council rate caps | Essential Services Commission](#)

3. **Gaelle BROAD, Page 20**

Question asked:

Gaelle BROAD: I am just interested in WorkCover premiums. Have you experienced any significant increases in WorkCover premiums?

Andrew McLEOD: With the actual premiums, we are bucking the trend in pulling ours back, primarily through the investments that we are putting into safety and our injury management. The premiums themselves are going backwards. As a proportional cost, I would need to take that on notice as to whether or not on a claim-for-claim, incident-for-incident, basis it was increasing or decreasing.

Response:

Hobsons Bay City Council has observed a significant rise in **WorkCover** premiums over the past six financial years, peaking in **2024/25** at **\$1,564,459**. This trend has occurred even though the number of **WorkCover** claims has decreased during the same period.

The sharpest increase in premiums occurred in 2023/24, when the State Government increased the publicly stated average workers' compensation premium rate from 1.272% to 1.8% of total remuneration—an increase of 41.5%, which heavily impacted councils and increased WorkCover premiums for that year by over \$530,000.

In **2019/2020**, there were **9 WorkCover claims** with a total premium cost of **\$993,234**. The cost per claim against the premium for that year was **\$110,359**. In **2023/2024**, with only **3 claims**, the total premium has increased significantly to **\$1,568,459**. The cost per claim against the premium is now **\$522,820**, marking an increase of **\$575,225** (a **421.23%** rise) in the total premium, despite fewer claims.

Claims Received	# Claims Initial RTW Achieved	# Claims Initial RTW Sustained	% Claims Initial RTW Sustained	# RTW Not Sustained	% Claims Initial RTW Not Sustained
2018	9	9	100%	-	-
2019	9	9	100%	-	-
2020	7	6	86%	1	14%
2021	11	7	64%	4	36%
2022	9	7	78%	2	22%
2023	3	3	100%	-	-
2024	2	2	100%	-	-

Figure 6 - Visual of Workcover Claims Count 2018 to 2023

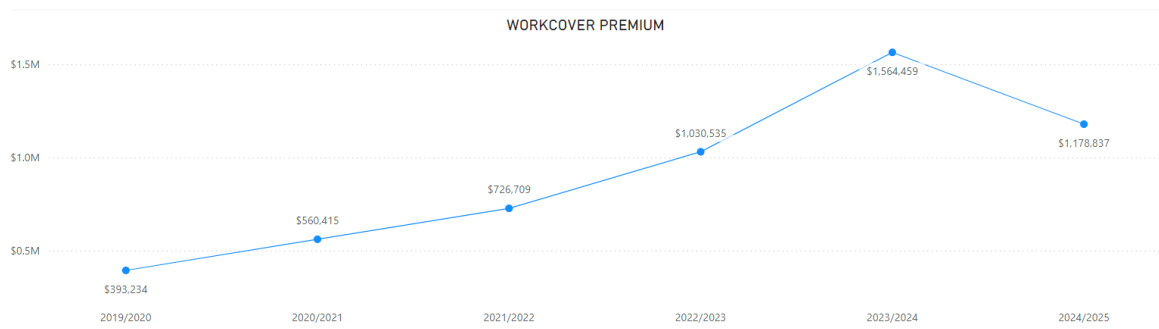


Figure 7 Visual of Workcover Premiums 2019/20 to 2024/25

4. **Bev McARTHUR, Page 21**

Question asked:

Bev McARTHUR: Well, it is not making any difference, because you have just demonstrated how the cost shifting of state government onto ratepayers is getting worse and worse. Now they are only funding libraries at 17 per cent. They were 100 per cent funding the maternal and child health services; they are now only funding it 41 per cent. Are you at school crossing costs? Did they send you an email about a job tax, Mr CEO?

Aaron van EGMOND: I will have to defer to Andrew on that, if he knows anything about that.

The CHAIR: You are welcome to take that one on notice too, if you do not have the response now.

Bev McARTHUR: Well, if he knows now, he can tell us.

Aaron van EGMOND: I am not able to make that comment, I think.

Andrew McLEOD: I am not aware of a job tax.

Bev McARTHUR: Well, do you provide vaccination services in Hobsons Bay?

Andrew McLEOD: Yes, we do, through our child and maternal health service, but we do not for COVID or general inoculation. We do hep A and hep B.

Bev McARTHUR: Okay. So if you take on notice whether you have got the email that you are going to be up for \$6000 in admin and \$2 per job, that would be helpful.

Response:

Each vaccination at Hobsons Bay City Council requires approximately **45 minutes** of staff time. With **13,263 vaccinations** administered in the 2023-24 financial year, the staff cost alone is approximately **\$497,362.50** (calculated at **\$50 per hour**).

Additionally, **Council** has invested in **two specialised fridges** at a cost of **\$40,000 each**, totalling **\$80,000**. Other costs include medical supplies, lollies, and travel expenses for transporting vaccines and vaccination teams across the municipality.

In **2023-24**, Hobsons Bay City Council received **\$66,315** in state government funding for vaccinations (calculated as **\$5 x 13,263 vaccinations**). However, when factoring in all associated costs, the total expense of delivering these

vaccinations is estimated to be between **\$516,677.50 and \$526,677.50**, leaving a funding shortfall of between **\$450,362.50 and \$460,362.50**.

This significant shortfall underscores the gap between the funding provided by the State Government and the actual costs incurred by Hobsons Bay City Council in delivering these essential immunisation services.

Feature	CIRV / 2023/24 FY	CIRV / 2024-24 FY	VaxApp / 2024-25 FY
Annual Fee	\$0	\$6,000	\$3,867
Vaccination Cost	\$0 per vaccination	\$2.00 per vaccination	N/A
Encounter Cost	N/A	N/A	\$1.95 per encounter
Total Vaccinations (2023)	13,263 vaccinations	13,263 vaccinations	N/A
Total Encounters (2023)	N/A	N/A	7,299 encounters
Community Session Cost	\$0	\$20,178 (10,089 vaccinations)	\$9,496.50 (4,870 encounters)
School Session Cost	\$0	\$4,476 (2,238 vaccinations)	\$2,911.35 (1,493 encounters)
Workplace Session Cost	\$0	\$1,872 (936 vaccinations)	\$1,825.20 (936 encounters)
Onboarding Fee	N/A	N/A	\$5,000 (one-time fee)
Total Annual Cost	\$0	\$32,526	\$18,103.05

Figure 8 - Cost Analysis: CIRV vs. VaxApp for Hobsons Bay City Council, 2023-24 and 2024-25 financial years.

The estimated cost of the new "Jab Tax" to Hobsons Bay City Council would have been between **\$30,000 and \$35,000** annually if Council had opted to use the Victorian Government's immunisation software. While Hobsons Bay City Council has chosen to implement **VaxApp** for the upcoming year, which will cost between **\$18,000 and \$20,000** annually, this is still an additional and ongoing cost that previously was not incurred.

5. **Bev McARTHUR, Page 22**

Question asked:

Bev McARTHUR: What about the free kindergarten? You might want to take that on notice too. How much is it costing your ratepayers to roll out the government's free kindergarten? Are you funding the facilities, the utilities, the ongoing costs or the increase in new facilities required with your growing populations to provide the government's policy of free kindergarten?

Andrew McLEOD: Yes. Through you, Chair, we obviously wear the land asset costs. The new kindergartens that have been introduced have been fully funded by the state, but the ongoing maintenance and upkeep is a question yet to be realised. I assume that we will bear that at some point in the process, and there is some administration around the centralised coordination of kindergarten.

Bev McARTHUR: Perhaps you can take that on notice and get back to us.

Response:

While the State Government provides capital funding for new kindergartens, the base facilities they fund do not fully meet Council requirements. As a result, additional project costs are incurred to bring them up to standard. These costs include the installation of security cameras, swipe key entry systems, and the provision of furniture, all of which are necessary to ensure the facilities comply with operational standards.

For example, **Hobsons Bay City Council** made the following contributions to bring these kindergartens up to standard:

- **Emma McLean Kindergarten:** \$235,000, representing **7%** of the total build cost of **\$3.19 million**.
- **Seaholme Kindergarten:** \$242,000, representing **10%** of the total build cost of **\$2.34 million**.
- **Sutton Ave Kindergarten:** \$125,000, representing **6%** of the total build cost of **\$2.13 million**.

These contributions reflect the additional costs borne by Council to ensure that the facilities are fully compliant with local operational requirements.

Once the facilities are handed over to Hobsons Bay City Council, they continue to incur costs for maintenance, ranging between **\$30,000 and \$40,000** per facility each year. For the **2023-24 financial year**, **Council** paid a total of **\$808,359** in kindergarten maintenance costs.

Payment Types (2023-24 financial year):

- **Total Maintenance Spend:** \$808,359
- **Capital Costs:** \$377,036
- **Lump Sum Maintenance:** \$132,622
- **Reactive Maintenance:** \$298,428

While Council receives rental income from leasing the kindergarten facilities to providers, with a total income of **\$568,219** for the **2023-24 financial year**, this rental income does not fully cover the ongoing maintenance and insurance costs associated with owning these facilities. Out-of-pocket expenses per facility range between **\$10,000 and \$30,000** each year.

Additionally, there are administrative costs involved in managing the rental agreements for these facilities. Hobsons Bay City Council incurs labour expenses for tasks such as creating rental contracts for providers, issuing monthly rental invoices, preparing on-cost utility invoices, and following up on any outstanding maintenance work with contractors. These administrative tasks are estimated to take between **1 and 3 hours per week**, costing between **\$2,300 and \$6,900** annually in administrative time.

Overall, the total out-of-pocket expense for Council across all facilities is estimated to be between **\$250,000 and \$300,000** annually.

TOTAL MAINTENANCE SPEND
2023-2024 FY

\$808,359

CAPITAL
2023-2024 FY

\$377,036

LUMP SUM MAINTENANCE
2023-2024 FY

\$132,622

REACTIVE MAINTENANCE
2023-2024 FY

\$298,428

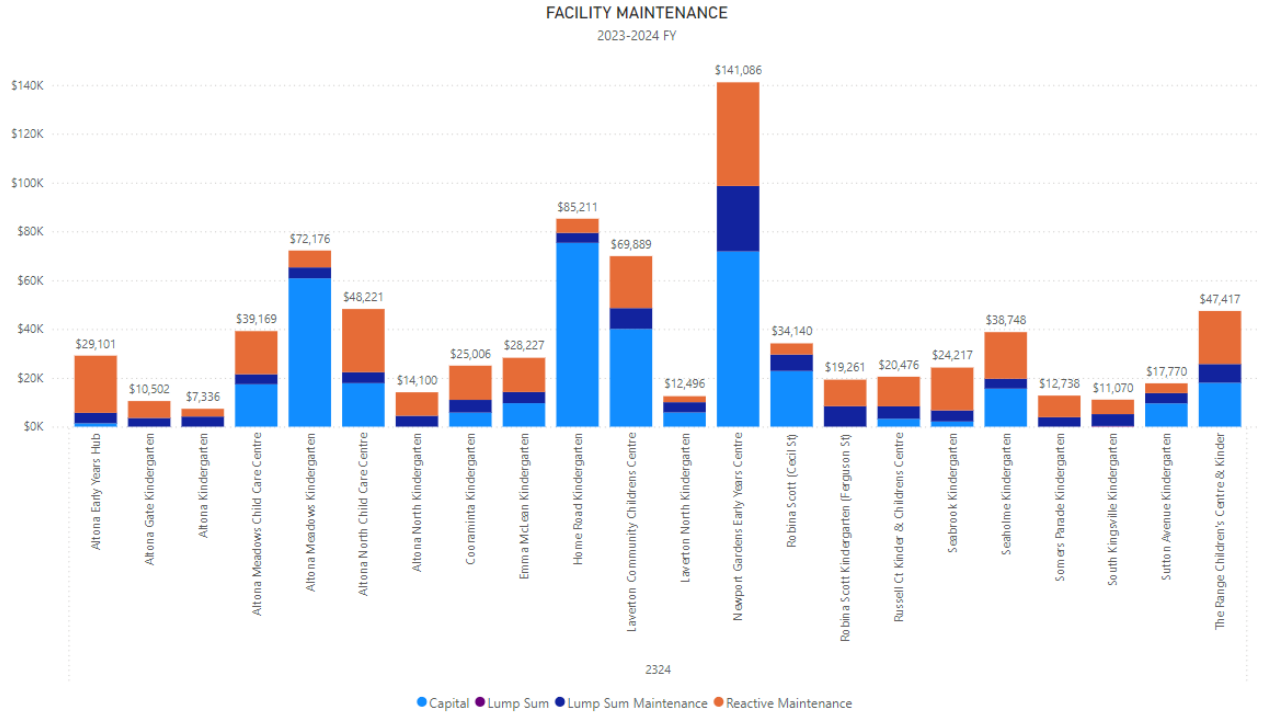


Figure 9 - Maintenance costs per facility (2023-24 financial year)

New Kindergartens	VSBA contribution	HBCC contribution	Total Cost
Emma McLean	\$2.95M	\$235,000	\$3,185,000
Seaholme	\$2.1M	\$242,000	\$2,342,000
Sutton Ave	\$2M	\$125,000	2,125,000

Figure 10 - Additional costs to Council of new Kindergarten buildings

TOTAL INCOME
2023-24 FY

\$568,219

KINDERGARTEN FACILITY INCOME
BY FACILITY

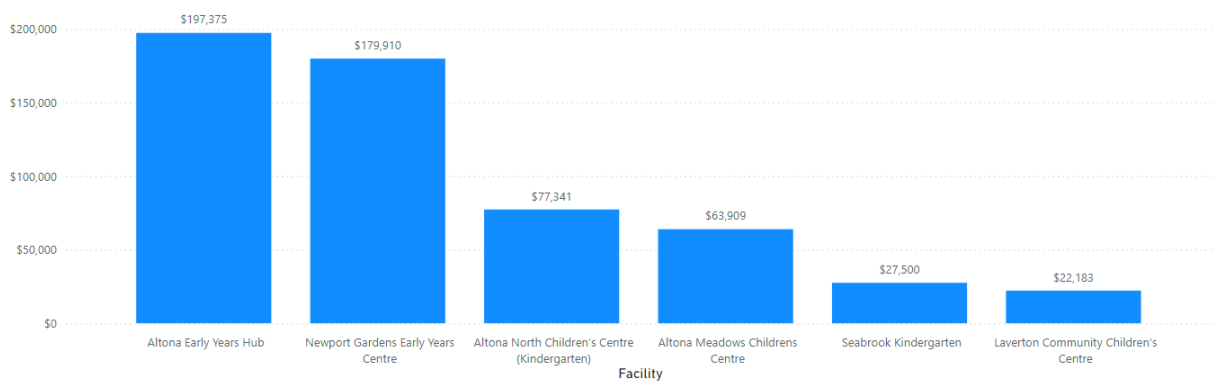


Figure 11 - Kindergarten facility rental income (2023-24 FY)

Question 6:

How much does it cost the Council to maintain assets handed over by the State Government, and what are the future replacement costs?

Response:

Based on the assets handed over to Hobsons Bay City Council by the State Government, such as those from completed projects like the **Ferguson Street**, **Aviation Road** and **Kororoit Creek Road** level crossing removals, Council received approximately **\$3.5 million** in assets. These assets, including drainage systems, shared user paths, open space assets, lighting, and signage, require ongoing maintenance and eventual replacement.

The annual maintenance costs for these assets are approximately **\$200,000** per year. Additionally, at the end of their useful life, these assets will need to be replaced, which will cost Council another **\$3.5 million** (in today's dollars) to restore them. Once we factor in the average annual cost of replacement over **80 years**, Council will incur a combined cost of approximately **\$293,418** per year, which includes **\$200,000** for maintenance and **\$93,418** averaged annually for replacement.

When the State Government handed over these infrastructure assets, they placed a long-term financial burden on Hobsons Bay City Council, amounting to an average of **\$293,418** per year when considering both maintenance and replacement costs.

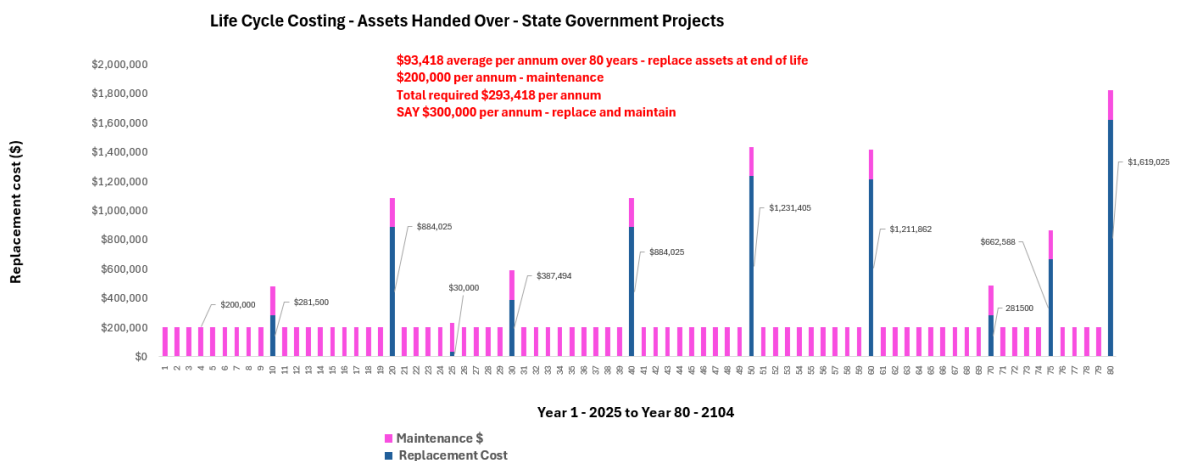


Figure 12 - Lifecycle costings of assets handed over by State Government

Hobsons Bay City Council has little incentive to take ownership of these assets, as the transfer primarily benefits the State Government by shifting maintenance responsibility onto **Council**. If **Council** declines ownership, it frequently receives complaints from the public regarding the poor condition of the asset, as the State will not undertake maintenance.

This situation requires **Council** to spend administrative time obtaining permission to access the site and perform necessary maintenance, at its own cost. Additionally, **Council** must dedicate further resources to responding to customer complaints and suffers reputational damage due to the asset's lack of upkeep, even though it is not officially **Council's** responsibility.