Shire of Campaspe – Submission to Parliamentary Inquiry into Rate Capping

The Shire of Campaspe (SoC) appreciates the opportunity to provision input into this Parliamentary Inquiry. The Shire of Campaspe would like to highlight the following points:

- Using its 2015/16 budget, SOC initially baselined the impact of rates capping and the freezing of indexation on Financial Assistance Grants in its Long Term Financial Plan. From the 15/16 budget, the impact was a move towards increasing deficit net results from 2017/2018 onwards, with an overall cumulative projected nett surplus / (deficit) of ($49,311,000) across ten years.
- The Shire of Campaspe initiated actions with an initial focus on productivity and efficiency gains, these were then integrated into the budget forecast and the (initial draft) 2016/2017 budget and the impact mapped. The productivity and efficiency initiatives improve the LTFP outlook by some $30 million dollars, with the cumulative impact of rates capping and the freezing of the indexation of Financial Assistance Grants reducing to a cumulative deficit of around $14 million across the same ten year period.
- The productivity and efficiency initiatives include modernisation of ICT equipment leading to staff efficiencies; improved management of leave and casual staff; fuel savings; training efficiency through online capabilities; project efficiencies through improved project management and re-aligning some service provision. Council has also identified land assets which are surplus to requirements and has engaged in a program to divest itself of those assets.
- It should be noted that the SoC was well down the track of all those initiatives well before rate capping was introduced.
- There are future productivity and efficiency savings planned which include a review of fleet management; review of catering; review of legal services and utility savings through improved technology and energy efficiencies. These savings will further improve the LTFP outlook.
- In the 1990's the Victorian Government asked that councils identify their asset renewal gap and close it. The SoC has been diligently working on this, but notes that more State Government grants for asset renewal will be required in a rate capping environment.
- What is clear is that productivity and efficiency savings, only push out the timeframe when expenses growth exceeds revenue growth. The inherent growth in expenses (including those costs imposed by State Government) exceeds the permitted growth in most revenue items.
- At this point, Council will have the following choices:
  - Increase fees and charges for Council services such as swimming pools, use of halls and recreation facilities etc. and perhaps introduce additional fees for areas not traditionally charged such as libraries;
  - Implement new (commercial) businesses that return a profit to Council and use this income to subsidise core activities;
  - Reduce or remove services; or
  - Apply for and implement a larger rates increase than allowed under rate capping.

  (initial analysis indicates (at this point in time) an ongoing rate increase of around 6% would allow the Shire of Campaspe to maintain service levels and without other impacts to fees and charges).

- Each of these options has issues associated with them. Not least is the requirement for community consultation, which would be difficult to reach consensus as different parts of the community would be impacted by different solutions. There is also an issue in regards to the communities' capacity to pay in terms of increased fees, charges or rates.
- The Shire of Campaspe will continue to adopt a strategy of finding productivity and efficiency savings for the near term and believe the best point to initiative discussions with the community around service levels will be when the next Council Plan is consulted and agreed (for 2018-2022).

The Shire of Campaspe respectfully suggests that more needs to be done in relation to the model of Local Government as the current situation is not sustainable. We recommend this needs to start with a full review of which services are provided under which levels of Government (or at least between State and Local); removal of any duplication of
responsibility across State and Local Government; the role of the community; and an assessment of required revenues to fund the core Local Government services. We believe this would be best achieved by two combined working groups:

(a) Appointed State Members of Parliament and Local Government Councillors to determine the desired outcome; strategies; criteria for success and form the board of review; and

(b) Appointed State and Local Government officers to detail the road map of a new, modern and sustainable form of Local Government.