

Buloke Shire Council

Submission to Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Communities.

Introduction:

The Shire of Buloke is so concerned about this issue that it has convened and co-ordinated the **RURAL LIVING** Campaign for the past 18 months (see Rural Living Brochure attached).

In the recent past, the Buloke Shire Council reduced its expenditure to ensure it remained sustainable. This involved a review of all services, the development of efficiencies and, unfortunately, a reduction in some service levels.

A hard lesson that has been learned during this period of time is that the level of services that can be provided to rural residents is considerably less than those that can be provided to residents in more densely settled areas. This is especially inequitable for residents in large shires with small and declining populations. The lack of availability of these services results primarily from the much higher costs arising from their provision given a range of factors including:

- Lack of economies of scale
- Large distances and time required to deliver services.
- More people with lower incomes and other socio-economic factors.
- A higher proportion of aged people in the population.
- Lack of competition from service providers and suppliers.
- Difficulties in the recruitment of staff and skilled contractors.
- Frequent market failure resulting in premium prices for goods and services.
- Small population sizes and a consequent lack of capacity to pay for services.

Financial Capacity and Funding Structure

The Victorian and Commonwealth Governments need to provide a more equitable distribution of funding structured to enable the sustainable provision of a minimum set of service levels to rural Victorians.

Small rural shires have major barriers to their capacity to provide basic services to their residents. A number of reports have demonstrated this in the past, and local government has responded positively by focussing on improving efficiencies, sharing services, innovative service provision and enhanced management. A great deal of progress has been made, and continues to be made, with many of these shires reaching high levels of efficiency but the problem remains.

There comes a time when it becomes apparent the residents of these shires have been left with inferior services and poor community outcomes and liveability. The residents of these shires make a considerable contribution to the nation's GDP, as well as paying rates, income tax and GST in the

same manner as their metropolitan colleagues but do not receive the minimum level of services. They are the backbone of the nation's highly innovative and successful agricultural industry. This is clearly inequitable.

This situation reflects poorly on the Victorian Local Government Sector, as the small rural municipalities created at amalgamation are not financially sustainable under the current funding models if they are to deliver a reasonable standard of services to their constituents.

The Local Government Act requires councils to "work in partnership with the Governments of Victoria and Australia" in order to ".. achieve the best outcomes for the local community" and to ".. improve the overall quality of life of the people in the municipal district." This responsibility is not being met by these partners under the current fiscal arrangements.

The Whelan report into Local Government financial sustainability in 2010 and 2013 found that "A permanent, adequate, annual operating entitlement" was required to enable eighteen small rural councils in Victoria to remain financially viable (*page 18, abridged report*). This report proposed a total recurrent annual payment across these councils of \$27 mill.

The Victorian Auditor-General's Report of June 2013 on the "Organisational Sustainability of Small Councils" noted the increasing reliance of small shires on government grants. It also noted that "own-source revenue", e.g. rates and charges, continued to decrease in proportion to the overall budgets of the small councils concerned (*page viii, Findings*). This trend is further evidence of the continued deterioration of the financial sustainability of small rural councils.

The provision of Financial Assistance Grants under the current structural arrangements, even before these were frozen, is not sufficient to address the disadvantage faced by small rural shires so that the minimum level of services can be provided by sustainable councils.

Responses to Terms of Reference:

a) Local Government Funding and Budgetary pressures:

As set out in the Whelan Report, eighteen small rural councils require additional financial support to remain financially viable. In 2013 this support was estimated at \$27 mill p.a. An additional challenge also arises from a succession of state Governments having required Councils to pick up extra services via legislation without adequately funding them.

These factors mean that rural shires are faced with the decision of reducing services well below a reasonable level or seeing their infrastructure gaps continuing to increase. At Buloke we no longer provide youth services, community transport or SES support and have reduced our road network and cut customer service to the bone. This results in:

- A less responsive Council (eg natural disasters)
- Reduced economic development
- Reduction in the road network , and
- Less attraction of migration and investment.

b) Fairness, Equity and Adequacy of Rating Systems:

Victoria is becoming a two-tier country with those living in small rural shires not able to access a reasonable set of services and continually fighting to remain financially sustainable. This compares markedly with the plethora of services available to those in the cities; for which the ratepayers in those cities pay much less.

As an example, a ratepayer owning a \$800,000 property in a well-to-do Melbourne suburb pays \$900 p.a. in rates for a most comprehensive range of services including parks, in-door pools, auditoriums, concerts and sporting facilities along with access to excellent public transport. In Buloke the ratepayer for a property worth \$800,000 pays \$6,990 p.a. to receive less than half the services, has only one customer service outlet in 8,000 sq km, and an unsustainable road network. This is clearly unfair, especially when it is considered that these roads are critical to enable farmers to access markets with many councils struggling to maintain them at a level that is “fit for purpose”.

Rural people are realistic and don't expect services at the same level as those provided in a city, but the disparity has become unworkable. Agriculture is vital to the health of our nation and is increasingly more efficient, but we are not providing a liveable environment for those working in the country. This cannot continue without serious ramifications.

c) Impact of Rate-Capping Policies:

Rate-capping is unlikely to have a significant effect on rural communities because they do not have the capacity to pay ever increasing rates in any case. Rural communities have already reached their capacity to pay.

Metropolitan Councils are less affected by rate-capping than rural shires as they have the capability to increase their income from other sources such as parking and facility entry fees. Rural Councils have no such ability and simply continue to get squeezed.

Rural Councils are now considering responses to the restraints on their income arising from rate-capping, the loss of asset related funding, continued cost shifting, the freezing of the Financial Assistance Grants and an ever reducing real level of grant funding. Some likely responses include, and have even commenced, with the removal of local government funding from SES, consideration of getting out of HACC funding, reducing revenue for library services, no longer funding the customer satisfaction survey, no longer funding school crossing supervisors and other services that are clearly state government responsibilities.

d) Capacity for Rural and Regional Councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure:

This is another instance of higher levels of government withdrawing from their responsibilities and cost shifting to local government. Councils are necessarily involved in flood planning and preparation but flood infrastructure and maintenance should be state based responsibilities. Flooding occurs across local government boundaries, is frequently beyond the capacity for Local

Government to fund and has state wide impacts. Councils are now expected to fund a third of levy capital costs and to also provide the ongoing management and maintenance of infrastructure. Over the life of the infrastructure these costs are typically on a par with the total initial capital cost.

e) Maintenance of Local Road and Bridge networks:

This is where the impact of the lack of sustainability of small rural shires is clearest. Local road networks are being reduced and also maintained to lower service levels than ever before. At the same time the infrastructure gap is widening. This arises because Councils do not have the resources to keep their networks up to standard and are delaying maintenance in order to maintain more immediate services. This will come to a reckoning in the medium term.

f) Weed and Pest Animal Control:

The legislation was changed to make this a local government responsibility and the Victorian Government pays Buloke less than one tenth of the cost of undertaking this task. This funding is only on a year by year basis with no guarantee of future funding. Consequently, only the most urgent works are undertaken with no ability to respond to a weed or pest outbreak.

Local Government will certainly not be able to respond in any meaningful way to controlling weeds and pests and this has the potential for great risks for agriculture and production. Risks beyond local government response, but legislated as a local government responsibility, include landowner activity on Council's local road network, GM contamination and the spread of noxious weeds.