

The RURAL LIVING Group of Councils
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). The story of how this has come about is set out below.

RURAL LIVING Campaign

The campaign has membership of 20 municipalities across Victoria.

The **RURAL LIVING** Campaign is based on the principle that all Victorians should be able to access a base level of services regardless of their location in Victoria.

Small rural shires are often the service provider of "last resort", as there are no other providers available. 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.

The key objective sought by this strategy is to influence a change in funding policies by the Victorian and Commonwealth Governments to provide a more equitable distribution of funding structured to enable the sustainable provision of a minimum set of service levels to rural Victorians.

Recently the Minister for Local Government has agreed to the participation of the Victorian Government in an Intergovernmental Working Group.

The RURAL LIVING campaign has engaged with the following stakeholders:

- Minister for Local Government,
- Minister for Regional Development.
- Local members of the Victorian Parliament.
- Local members of the Commonwealth Parliament.
- Rural Councils Victoria (RCV),
- Municipal Association of Victoria (MAV),
- Victorian Local Governance Association (VLGA)
- Loddon Campaspe Councils,
- North West Municipalities Association (NWMA),
- Local Government Victoria (LGV),
- Loddon Mallee Regional Management Forum (RMF),

- Department of Environment, Land, Water and Planning (includes Local Government and Environment),
- Department of Economic Development, Jobs, Transport and Resources (includes Agriculture and Regional Development), David Martine),
- Federal Ministers, e.g. Health, Local Government.
- Local Government Ministers Advisory Panel
- Community Forums

The Buloke Shire Example

In the recent past, the Buloke Shire Council reduced its recurrent expenditure by 16% in one year to ensure it remained sustainable. This involved a review of all services, the development of efficiencies and, unfortunately, resulted in reduction in or removal of services.

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.

Buloke undertook an extensive review of its service levels and associated costs in early 2014.

To become financially sustainable the council made a number of changes to service delivery, including:

- 1 in 6 staff no longer in the organisation
- 1 customer service access across 8,000 sq. kilometres)
- No community transport
- Reduced library services
- Removed 700 kilometres of local roads
- Reduced capital expenditure
- Removed Youth Services

Issues Common to all Rural Councils

- 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.

Is this important for all Victoria?

A statement from the regional economic development and services review, final report included "Every Victorian should have the opportunity to reach their full potential through equitable access to education, training, health services and jobs" .

For all of Victoria to reach its full potential, there must be a “liveable environment”. A large section of Victoria will potentially become a “fly in fly out” area; this will impact greatly on rural Victoria. The sustainability of small rural shires needs a whole of government approach, (Victorian and Commonwealth) based on the fairness and equality of how people live in Victoria and rural and regional Australia. Adequately resourcing all of Victoria will build on the State Government’s regional development agenda and provide the framework by which we can support growth and economic prosperity in our regions. Councils are key partners in creating this environment. The investment and lifestyle is very much a “Hub and spoke model”, Melbourne, Regional Cities and Rural Victoria are all dependent on each other. For Victoria to grow and thrive into the future, the state as a whole must have the opportunity to reach its potential. Services (whether provided by Council or others) underwrite the Government’s Jobs, Growth, and Trade Strategy.

The **RURAL LIVING** Campaign has the potential to redefine rural living, service provision and the expectations of State and Local Governments and commercial providers. This issue is bigger than any one department or level of government can address – it must be a partnership between Commonwealth, State and Local Governments within the regions.

The current funding arrangements are unfair

There comes a time when it becomes apparent the residents of small rural 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.

Equity

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.

As an example, a ratepayer owning an \$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.

The Local Government Act

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.

Local Government - the Enabler

Local government, is the closest level of government to the people and has the strongest connection to individuals and groups within any community. Victorian Government programs and funding are always enhanced by using Local Government as a conduit for delivery. The **RURAL LIVING** group of Councils believes that this partnership is important. Under the current funding arrangements, Council resources are reducing, impacting the ability for Local Government to respond in kind and financially.

For investment and migration beyond Melbourne, people are looking for a liveable environment. Factors that influence business attraction and migration are services like child care, youth services, green spaces, sporting facilities and attractive street scapes, to name but a few. Local government in these areas is the only service provider available to deliver this suite of services.

Financial Sustainability

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 additional recurrent annual requirement 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.

In order to address this, the campaign advocacy strategy seeks not to suggest the changes and solutions that might remedy the problem but to seek agreement to the concept that all Victorians, including the residents of small rural shires, are worthy of a specific minimum set of service levels. It is not until agreement on this can be reached that the methods of achieving this outcome can be formulated.

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. In the meantime these shires are faced with the decision of reducing services well below a reasonable level or seeing their infrastructure gaps continuing to increase.

School crossing supervisors ARE a cost that many Councils are now re-assessing, with some Councils withdrawing funding from the program. If rural councils were to withdraw from this service it is likely children in rural areas would not have access to safe passage to school. Surely all Victorian children should be entitled to go to and from school safely.

The State Emergency Service (SES), is an important volunteer service in Victoria. Ten Councils have withdrawn funding from the SES; of the 10, 8 are rural councils. This is would not have been an easy decision for any Councillor to make, especially in rural areas with small populations, where volunteering is highly valued and often the only way a service is delivered.

A responsive Council is an important part of being part of any community and often there is a greater expectation placed on Local Government by the community. A reduction in staff and capital expenditure will result in a less responsive council.

Rural Councils have fewer options than other organisations providing services. Many of these services are required to be supplied by Local Government under legislation. Rural councils are also often the provider of last resort with no commercial options available in the area. Often when the State Government does support the delivery of a service, the additional cost of delivery of service in rural areas is not covered, e.g. longer distances travelled and higher real costs of service delivery.

The Commonwealth and Victorian Governments will often initially fund a highly valued service within a municipality then withdraw or freeze their support. This creates a community expectation that the service will continue regardless of funding support. It is council that is then left to decide to meet the shortfall by using ratepayer funds, reduce other services or cease providing the service. Rate Capping, the freezing of the Federal Assistance Grants (FAGs) and the reduction in Victorian Government grant support has had a direct impact on communities in regional and rural areas.

b) Fairness, Equity and Adequacy of Rating Systems:

The **RURAL LIVING** campaign relates to the inequities in services that are provided by small rural shires when compared to their larger more sustainable cousins. What we are seeing is the generation of 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.

The example provided in the section "Equity" above shows how residents in wealthy Melbourne suburbs can pay nearly an eighth as much in rates for twice as many services as a resident in Buloke. This is grossly unfair and regressive, especially when it is considered that one of the key services is rural roads which 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:

Small rural councils are rating based on Capital Improved Value (CIV), several times higher than larger municipalities. In many councils a series of drought events have diminished community's capacity to pay. In reality, rural communities have already reached or surpassed their capacity to pay.

The impact of rate capping on Metropolitan Councils is not as severe because 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.

The freeze on the Federal Assistance Grants (FAGs) has further reduced rural councils abilities to provide an adequate level of service and essential infrastructure, in particular the maintenance of its local road network.

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

Councils are 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. The current funding model does allow for a shared capital cost of flood mitigation infrastructure, however the recurrent cost is borne by local government. 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 highlighted. 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.

The **RURAL LIVING** Group of Councils acknowledges the previous government's Country Roads and Bridges Program. This was the first time that the Victorian Government had supported Local

Government in such a way. The funding allocation (\$1 million/council/year) did not reflect the amount of roads and bridges individual councils were required to maintain but played a vital role in addressing the infrastructure gap faced by small rural shires.

Many state roads have fallen into disrepair, in some cases VicRoads have introduced speed limits over the last few years. Traffic then seeks alternate routes, in many cases utilising the local road network putting even more stress on local government finances.

The Federal Assistance Grant (FAGs) freeze has further reduced rural council's ability to provide an adequate level of service and essential infrastructure, in particular the maintenance of its local road network

The quality of the road network has a direct impact on economic viability and productivity of regions. Lack of quality results in additional time and money generating costs to all those associated with enabling agricultural product to reach its destination. For Victoria to realise its full primary production potential there must be stable, efficient and reliable distribution of product.

f) Weed and Pest Animal Control:

The legislation was changed to make this a local government responsibility and the Victorian Government continues to allocate some funding towards these works, however we believe that the funding allocated is only a small percentage of the true cost of the works. While this change in legislation has created an expectation that Councils will undertake these works, rural councils do not have the additional capacity to respond to weed outbreak events. Also the responsibility of Council to have a "reasonable knowledge" has not been tested. Of particular concern would be a traffic accident occurring when carrying out these works, overspray onto sensitive crops or contamination of GM and organic crops. If such an incident were to be tested the likely outcome would be an expensive legal challenge.