

MANSFIELD SHIRE COUNCIL

SUBMISSION IN RESPONSE TO THE INQUIRY INTO THE SUSTAINABILITY AND
OPERATIONAL CHALLENGES OF VICTORIA'S RURAL AND REGIONAL COUNCILS, SEPTEMBER 2016



Thank you for the opportunity to make a submission. We would like to present you with some key facts and issues in an effort to make a constructive contribution to the Inquiry. The focus of this submission is on the challenges Council and the community faces around cumulative rate capping impacts and our long term financial sustainability.

WE'RE SMALL BUT STEADILY GROWING....



Just over 8,300 people, growing by 1% p.a. to 2031



Around 7,400 rateable properties, growing at 1% p.a.

AND WE PUNCH ABOVE OUR WEIGHT...

Our community is small but achieves big things. Council does the same. The 2016 Community Satisfaction Survey results show that our community is very satisfied with what we do, outperforming our peers and the rest of the State in ALL key areas.

PERFORMANCE MEASURE	MANSFIELD SHIRE	SMALL RURAL SHIRES	STATEWIDE
Overall Council performance	61	57	59
Community consultation	59	55	54
Advocacy	55	54	53
Customer service	71	69	69
Overall direction	56	56	51
Making community decisions	56	53	54
Sealed local roads	57	52	54

WE ARE FINANCIALLY RESPONSIBLE...

Mansfield has been frugal in terms of our expenditure and the rate increases levied in recent years.

Our responsible financial management means that rate capping will have a more adverse cumulative impact. Rate capping is penalising us for our prudent financial management.

YEAR	RATE INCREASE
2013-14	3.29
2014-15	3.6
2015-16	3.4
2016-17	2.5

Our 2016 EBA increases wages by 2% for the next three years in an effort to offset the adverse cumulative impacts of rate capping impacts.

AND ARE FOCUSING ON INCREASED EFFICIENCY...

We have the equivalent of 94 effective full time (EFT) staff. We are firmly committed to continuous improvement, too, and are always looking for opportunities to refine processes and service delivery.

Service reviews of all Departments have been completed and we have just undertaken a benchmarking exercise for our executive team looking at responsibilities and pay. These things will form the basis of a review of our structure and resources.

Mansfield Shire is currently under resourced and does not have the capacity to meet the increasing strategic and regulatory demands placed on it by the State. With rate capping, this situation cannot be easily rectified.

BUT WE HAVE LIMITED INCOME OPPORTUNITIES...

INCOME SOURCE	% TOTAL INCOME 2015-16 (ACTUAL)	% TOTAL INCOME 2016-17 (BUDGET)
Rate revenue	67.4	60.1
Grants (operating & capital)	24.1	33.2
Fees (statutory & user fees)	4.9	4.3
Disposal of assets	0.2	0.6
Other	3.4	1.8

We have a small rate base. This means we are reliant on grants to deliver many key projects, including things that would be categorised as core services and facilities, such as building roads, bridges, sporting facilities, emergency management planning and community resilience programs.

One off grants and recurrent funding from Federal and State Governments have declined, meaning that we either have to stop programs or pick up the bill. For services such as libraries and community resilience planning we have had no choice but to do the latter.

Our community cannot absorb significant fee increases to boost income. We increased fees by 5% this year but are mindful of the impact on lower income families. But increasing fees will only play at the margins rather than offsetting lost rate and grant income.

AND HAVE TO PROVIDE THE SAME CORE SERVICES AS LARGER COUNCILS...WITH THE ADDED COMPLEXITY OF THE TYRANNY OF DISTANCE...

We still have to pick up the bins, provide home and community care to a growing aging population and maintain nearly 900km of roads, along with all

the other core council services but over a large geographic area. Just as an example, it takes over two hours to get from central Mansfield to Woods Point.

ALONG WITH EVER INCREASING DEMANDS ON OUR RESOURCES...

The State has introduced a number of new statutory requirements in recent years, particularly around governance and reporting standards. Don't get us wrong, we are committed to good governance and transparency in all that we do, but the State requires us to report on the same things in multiple ways through Annual Reports, Local Government Performance Reporting Reports, increased Inspectorate requests to demonstrate compliance with legislation and so on it goes.

The 'Act for the Future' Discussion Paper talks about a new *Local Government Act*. Our submission to this Paper highlights the proposed changes will increase recurrent expenditure by over \$70,000 per annum, with an added \$54,000 after a council election. We would have to increase rates by 1% just to cover the costs if the new Act is drafted as per the Directions Paper!

SO ALL THIS MEANS SOMETHING HAS GOT TO GIVE...AND IT IS A CASE OF THE LESSER OF 5 EVILS...

The rate cap that assumes all councils are the same is an unsophisticated approach which will hurt small communities.

We have started the conversation with our community that we cannot continue to do all that we currently do.

There are five options open to us to deal with rate capping. All either work at the margins or offer short term hits rather than getting to the source of the problem and allowing us to develop a sound long term financial plan.

OPTION	COMMENTS
Request a variation to the cap	<ul style="list-style-type: none"> • Unpredictable outcome • Resource intensive to argue the case • Short term fix.
↑ Income through: ↑ Fees & charges Entrepreneurial activities Disposal of assets	<ul style="list-style-type: none"> • ↑ fees and charges would deliver only small revenue increases • We don't have the cash reserves or investment opportunities in this rural location to undertake entrepreneurial activities • We have few buildings, land or other assets to sell and it is a one off hit, not a long term sustainable solution.
↓ Costs ↑ efficiency ↓ staff and services	<ul style="list-style-type: none"> • We can achieve small efficiency gains but the savings will be small • Efficiency gains cannot be sustained at the same rate year on year • We are already pretty lean and have cut staffing where we can through recent service reviews • We are already looking at new ways of doing things, sharing contracts with other councils (eg our Building Surveyor is employed by Strathbogie) • Do we cut services such as school road crossing supervisors or SES funding, given these are not 'core' Council services under the Local Government Act? How does this benefit our community? Will the State pick these things up instead?

↓ Standards for asset renewal	<ul style="list-style-type: none"> • Some may see this as a possible option but how does this support our economy, which is reliant on tourism and recreational activities where good roads are critical? • Reducing maintenance standards, particularly for roads, bridges and parks & gardens would undermine the very things that help drive our economy and population growth.
↑ Debt	<ul style="list-style-type: none"> • Yes, we could borrow more but how does this help us become financially sustainable? • Increasing debt is a band aid solution, which is not only unfair on our ratepayers and community but also ignores the root cause of the issue – lack of income to provide core services.

TO UNDERLINE THE DIFFERENCES BETWEEN OUR SOURCES OF INCOME WITH OUR LARGER, METROPOLITAN AND RURAL CITY PEERS:

- We can't raise large amounts of income through charges such as a parking fees
- We do not have entrepreneurial opportunities to provide a source of income
- We do not have redundant assets or property to sell
- We do not get a lot of income from planning permit fees as a lot of our development is Mum and Dad investors building a holiday home or place to retire – we do not receive applications for multi-million dollar developments.