



The Executive Officer,
Environment, Natural Resources and Regional Development Committee,
Parliament House, Spring Street,
EAST MELBOURNE VIC 3002

12 September 2016

Inquiry into the sustainability and operational challenges of Victoria's rural and regional Councils

On behalf of the Peri Urban Group of Rural Councils, I would like to thank you for the opportunity to provide comment on the inquiry into the sustainability and operational challenges of Victoria's rural and regional Councils.

The Peri Urban Group of Rural Councils (PUGRC) represents the Shires of Bass Coast, Baw Baw, Golden Plains, Macedon Ranges, Moorabool, Murrindindi and Surf Coast.

The Peri Urban region is characterised by the sharp contrasts of stunning environmental areas, rural aspects of productive farming areas and the explosive growth of residential areas across the region.

The Peri Urban region is 16,887 km² in size and contains significant National and State Parks including Baw Baw National Park, Brisbane Ranges National Park, Werribee Gorge State Park, Great Otway National Park, Port Philip Island Nature Park, Macedon Regional Park, Hanging Rock and Kinglake National Park.

The Peri Urban region also contains 10% of Victoria's productive agricultural lands and grows 17% of the State's primary produce. Agriculture remains a major employer and economic driver within our region.

The Peri Urban region is the fastest growing rural area in Victoria. The region will grow by an average of 49% through to 2036 with some of the Peri Urban cities forecast to more than double and in some cases triple in population. In contrast the regional cities of Ballarat Bendigo and Geelong have a slower rate of growth at 40%.

We are committed to managing our communities in a sustainable way, that facilitates sensible population growth and employment opportunities while retaining local character, important agricultural lands and environmental assets for Victoria.

PUGRC response to Terms to Reference for Inquiry:

A. Local government funding and budgetary pressures

The Councils of the peri urban region face significant financial challenges in funding current and future growth infrastructure as a result of significantly lower budgets than neighbouring municipalities.

On average, the total budgets of the Peri Urban Councils are just one quarter the size of the Regional Cities of Geelong, Ballarat and Bendigo. In fact Geelong's garbage charge is equivalent to the average total rate base of the PUGRC Councils.

For instance:

Comparison of Total Income – 2016/17 Financial Year (forecast)

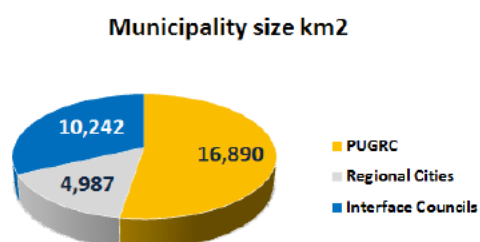
Peri Urban Councils	Comparisons
Murrindindi SC - \$32.8 million	Whittlesea SC - \$277.9 million (Interface)
	Nillumbik SC - \$88.3 million (interface)
	Yarra Ranges SC - \$178 million (Interface)
Moorabool SC - \$54 million	Ballarat SC - \$183 million (Regional City)
	Melton SC - \$205 million (Interface)
	Greater Geelong SC - \$380 million (Regional City)
Macedon Ranges SC - \$84 million	Bendigo SC - \$210 million (Regional City)
	Mitchell SC - \$71.8 million (Interface)
Baw Baw SC - \$87 million	Yarra Ranges SC - \$178 million (Interface)
	Cardinia SC - \$107 million (Interface)

Source: adopted budgets.

Many Councils are also running surplus's that are larger than the total income of many Peri Urban Councils and rural and regional councils. For example:

FORECAST SURPLUS 2016/17							TOTAL INCOME
Casey	Hume	Melton	Whittlesea	Wyndham	Geelong	Bendigo	PUGRC-ave income
\$93.8M	\$117.7M	\$67M	\$85.8M	\$90.7M	\$55M	\$54M	\$64M

The Peri Urban Councils are on average, four times the land size of the Regional Cities and fifty percent larger than the Interface Council areas as shown below. The sheer scale of the Peri Urban shires results in low population densities dispersed across very large Shires. The population densities highlight the challenges of managing small populations across large municipalities and the challenges of providing adequate infrastructure across the peri urban region.



The infrastructure challenge is exacerbated by increasing use of peri urban facilities by residents of neighbouring municipalities which includes child care centres and recreation facilities.

The Municipal Association of Victoria (MAV) has also completed significant work on behalf of Victorian Councils into Government funding and cost pressures. The PUGRC supports this work which can be found at <http://www.mav.asn.au/about-local-government/local-government-finance/Pages/Cost-pressures.aspx>

The MAV has also analysed cost shifting from State Government to Local Government and found that since 1975 the burden on Local Government has increased from 50% to 80%+ for

a range of 'jointly funded' services including libraries and school crossing supervisors. Further information - <http://www.mav.asn.au/mediacentre/campaigns/Pages/cost-shifting-campaign.aspx>

SOLUTIONS:

1. INFRASTRUCTURE FUNDING FOR PERI URBAN COUNCILS

Over the last two years, the Growth Area (Interface) Councils have had access to \$100 million in State Government funding to deliver projects across the ten Shires¹.

The Peri Urban region requires a fund of this nature to deliver the necessary infrastructure to manage growth and facilitate growth in some areas. The fund would also ensure that the region does not fall even further behind other communities.

This fund is also a necessary funding tool to meet the Government's objectives of managing population growth outside of Melbourne.

2. STANDARD DEVELOPMENT CONTRIBUTIONS (DCP)

The development of a standard DCP has been a significant step forward in ensuring that infrastructure in new and larger infill areas is adequately funded. Unfortunately the standard DCP does not currently apply to the PUGRC region unless significant strategic work has been done.

A standard DCP would be far more efficient for rural and regional Councils who often don't have the expertise nor resources to negotiate Section 173 agreements over infrastructure contributions.

3. INCREASE IN PLANNING FEES

The current VIC planning fees recover around 20 to 30 per cent of the actual council costs for planning applications. Ratepayers currently subsidise up to 70% of the costs of planning fees for private and commercial developers alike.

The current Planning and Environment (Fees) Regulations were set in 2000 and did not include automatic annual indexation. The fees have not kept pace with the cost of providing the service.

The Government is currently considering new planning fees and we fully support any action to revise the fees and apply indexation in the future.

B. Fairness, equity and adequacy of rating systems

The current ratings system places an unfair burden on the residents of rural and regional communities and creates situations of feast or famine in the funding of Shires. This is illustrated above (section A) in the excessive surplus's many Councils have been able to accumulate.

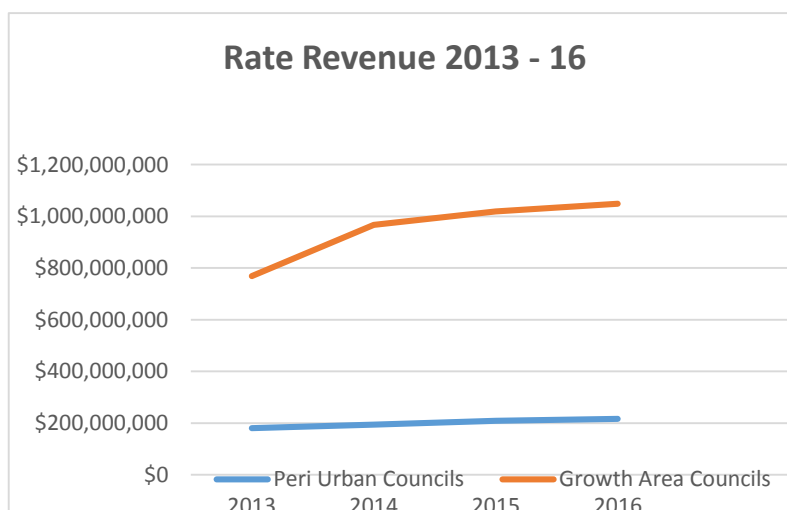
¹ <http://www.vic.gov.au/news/interface-growth-fund.html>

Metropolitan councils with large population bases and large numbers of commercial rate payers are flush with cash for infrastructure, services, staffing and maintenance, even under rate capping. These Councils were also some of the highest rating Councils – see chart below.

In contrast, rural and regional Councils have been struggling to provide basic levels of infrastructure and maintenance plus the more than 100 services expected by residents for many years. The rural and regional councils also don't have access to some of the other revenue sources that metropolitan councils enjoy like parking revenue and income from facilities. For a Council like Stonnington, parking generated \$3.9 million in revenue last year and leisure centre income was \$4.2 million².

Between 2013 and 2016, total rate revenue for the ten Growth Area Councils went up by 36% from \$769 million to \$1.049 billion.

Across the Peri Urban region, rate revenue increased by 20% or \$36 million to a total of \$216 million³.



The difference in the experience between the Councils is also highlighted when total revenue is considered across the whole of the Shire as shown below:

	Average Total Revenue – 14/15	Average Shire Size	Possible investment per km ²
Peri Urban Councils (Ave)	\$55,872,342	2,412	\$23,164
Interface Councils (Ave)	\$167,351,044	1,024	\$163,428
Regional Cities* (Ave)	\$218,183,000	1,662	\$131,277

*- Geelong, Ballarat, Bendigo

C. Impact of rate-capping policies

² <http://www.stonnington.vic.gov.au/Vision/Annual-Report>

³ Source: adopted Council Budgets 2016/17.

Due to the recent introduction of rate capping, the impact of the policy is yet to be demonstrated in Victoria.

It is anticipated that in order to operate under the rate cap, rural and regional Councils will be required to seek efficiencies and savings through a reduction in staff, rationalisation of some services and scaled back maintenance and renewal schedules for assets. This is the experience in NSW which has resulted in large infrastructure and maintenance backlogs across the State.

A great concern, is that the effects of rate capping will be inverse and will be more detrimental amongst the communities and Councils who can least bear the cost-cutting and any resulting drop in services to support the elderly, families and others requiring high levels of service. The 'back to basics' ethos that is being ushered in with rate capping will do little to support the communities who require investment into infrastructure and support services and those struggling to manage and fund significant population growth.

SOLUTION:

4. Higher Rate Cap For Rural And Regional Councils

As noted in our submission to the 2015 Parliamentary inquiry into Rate Capping⁴ and the Essential Services Commission⁵, the PUGRC believes that the standard rate cap at CPI unfairly discriminates against rural and regional Councils.

Smaller Councils and those Councils with large growth pressures and small budgets should be subject to a higher than CPI cap unless they choose to apply for an alternative level of rates.

The Peri Urban Councils are managing significant population growth, infrastructure deficits and limited capacity to borrow, in contrast to many of the larger councils which have large well established rate bases and significant capacity to borrow. The Peri Urban Councils require support and additional funding to deliver the new communities required for Victoria's increasing population and to protect vital food production areas for the future of this state.

D. Maintenance of local road and bridge networks

The Peri Urban Group of Councils manage a combined total of 22,000km of roads across seven Shires. This is sufficient to circumnavigate mainland Australia.

Due to traditionally small populations and corresponding small Council budgets, investment into the rural road and bridge networks have not kept pace with increasing demands from commuters, high productivity vehicles (HPV) for greater freight efficiencies, community expectations and population growth. Natural disasters also throw the lack of investment and condition of these rural, often unsealed roads and wooden bridges into sharp focus.

The peri urban areas surrounding Australia's capital cities are a battleground between the residents of the rapidly growing residential areas and the adjacent traditional industries and

⁴ http://www.parliament.vic.gov.au/images/stories/committees/SCEP/Rate_Capping/Submission_46_-_Peri_Urban_Group_of_Rural_Councils.pdf

⁵ <http://www.esc.vic.gov.au/wp-content/uploads/esc/2f/2f61f56c-ce06-4ffe-8976-15e5d9d47abd.pdf>

uses like agriculture, resource and timber production and manufacturing. These industries and commuting residents are competing for access to congested, poorly maintained rural roads and bridges and ultimately highway access to the capital city and transport hubs.

It is a battle that is being played out on a road network that was built in Victoria during the time of the gold rush and on bridges designed for a horse and cart. This network now needs strategic investment to bring it up to par with the road networks of neighbouring growth areas.

The requirement for new and significant investment (including maintenance) into the road and bridge network is being driven by the following:

- Rural roads – our Shires, unlike metropolitan Shires, contain significant tracts of rural and unsealed roads. These are an ongoing maintenance burden and a significant cause of resident dissatisfaction. In the 2016 Community Satisfaction Survey, rural unsealed roads remain one of the biggest points of dissatisfaction and priority for respondents of the survey. Unsealed roads were scored at 79 points for priority for residents across the Victoria and performance scored 43 points⁶.
- Population growth – the population in the VIC peri urban region will grow by 50.2% through to 2031. One in every 3 residents will be new based on today's population. The roads and bridges to support this growth need to be funded now and not solely by the current rate payers.
- Congestion – In some towns like Bacchus Marsh, the traditional road network means that up to 500 trucks per week are passing through the middle of the CBD rather than by-passing these pedestrian areas. Gisborne has similar pressure from truck routes.
- Last mile – Councils and businesses need access to funds to complete roads capable of carrying high productivity vehicles (HPV). HPVs are most efficient when they can operate point to point and yet often, loads in rural areas will be divided onto smaller vehicles for transportation to or from their destination.
- Commuters - the peri urban regions are highly desirable to commuters working in capital and major cities. Across the VIC Peri Urban region there are currently 38,000 people commuting for work. This is forecast to rise to 58,000 by 2031. Improved, new and alternative routes to major arterial roads are required across the region.

SOLUTION:

5. INCREASED FUNDING

The region requires increased State Government funding into the Rural Roads and Bridges fund and a dedicated infrastructure fund – as outlined in Solution 1 above.

E. PUGRC Comments on weed and pest control:

The management of weeds and pests is a significant issue for rural and regional Shires in four key areas:

1. Economy

⁶ <http://www.dtpli.vic.gov.au/local-government/publications-and-research/council-community-satisfaction-survey/?a=297705>

It is estimated that the agricultural cost of weeds to Australia is in the vicinity of \$4 billion per annum⁷. Similarly, the Invasive Animals Co-operative Research Centre published a report in 2010 that estimated the direct national annual economic impact of invasive animals like wild dogs, foxes, mice, pigs, rabbits and starlings to be \$743.5 million in agricultural losses and expenditure on management, administration and research⁸.

The costs of not effectively managing weeds and pests in agricultural areas like the Peri Urban region, which provides 17% of Victoria's primary produce, can be devastating to local farmers and the communities who rely on the industry. Similarly, lack of investment into weed and pest management can have implications for local tourism.

2. Resourcing and funding

Rural and regional Councils generally manage large Shires with limited financial and human resources. Many small Shires have a single compliance officer and limited resources for comprehensively managing weeds and invasive pests. This may be further complicated by the impacts of rate capping on Council budgets and resource allocations.

The Peri Urban Councils are an average of 2,412 km² in size and cover 16,887km² of Victoria. Within these Shires there are 22,000 km of roads which is sufficient to circumnavigate mainland Australia. The average total revenue for the Peri Urban Councils is \$64 million.

In contrast, the Growth Area Councils are an average size of just 1.024km² and their average total revenue is four times larger at \$219.8 million.

As a result of the limited resources, including State Government funding, and the scale of the Shires, it is currently impossible for rural and regional Councils to make more than a small dent in the weeds and pest issue within each Municipality. The challenge is highlighted below:

- In Baw Baw Shire, approximately 300 kilometres of roads are treated for blackberries each year, depending on funding allocations from Council and the State Government. With 1,515 kilometres of local roads within Baw Baw Shire, it is not possible to treat all harmful weeds on all roadsides every year⁹.
- In Murrindindi Shire, 438.13km out of 1,218km of Council managed roads are treated each year at a cost of \$28,862¹⁰
- Macedon Ranges Council provides weed control works across approximately 200 sites per year out of a total of approximately 600 mapped locations. These mapped locations represent approximately 60% of Council managed roadsides and reserves¹¹. The value of Macedon Ranges Council's current weed control program is approximately \$250,000 per year including:

⁷ http://www.mrsc.vic.gov.au/files/assets/public/strategies_plans_policies/weed-pest-animal-strategy-final.pdf

⁸ <http://agriculture.vic.gov.au/agriculture/pests-diseases-and-weeds/pest-animals/invasive-animal-management>

⁹ <http://www.bawbawshire.vic.gov.au/Resident-Information/Rubbish-and-Environment/Environment/Weed-Control>

¹⁰ file:///C:/Users/plawre/Desktop/Documents/Research/Roadside-Weed-and-Animal-Pest-Plan-2015-2017.pdf

¹¹ http://www.mrsc.vic.gov.au/files/assets/public/strategies_plans_policies/weed-pest-animal-strategy-final.pdf

- Weed control on Council managed recreation reserves, such as Hanging Rock - \$1,000 - \$5,000 per recreation reserve
- Pest animal program on Council managed roadsides and reserves - \$20,000 annually based on 2014/15 budget allocation
- Surf Coast Shire Council receives \$23,314 annually (2015-17) from the State Government to manage roadside weeds and pests¹². Through past State Government funding initiatives Surf Coast Shire Council has treated approximately 1000km per year of roadsides for Regionally Controlled weeds and pest animals. There are currently no Regionally Prohibited weeds in the Shire, a situation Council is keen to maintain, in particular by focusing Council resources on new and emerging pest plant and animals.

The DELWP Roadside Weeds and Pest Management funding¹³ is a \$13 million program over five years. The 56 rural councils responsible for rural roadsides can currently apply for up to \$75,000 over 2 years to manage pest and weeds.

3. Amenity

The National Resources Management Ministerial Council in their 2007 Australian Weeds Report estimated that the cost to nature conservation and landscape amenity of weeds is thought to be in the vicinity of \$4 billion per annum (NRMMC2007)¹⁴.

The protection and retention of the Peri Urban region's natural and man-made amenity is critical to the region's economy and sustainability.

The Peri Urban region is Victoria's fastest growing regional area. This is due in part to the region's proximity to Melbourne and regional cities of Geelong, Ballarat and Bendigo and the high level of amenity in the landscape and towns.

The Peri Urban region and surrounding Shires are key tourism and day trip destination which injects \$1.5 billion into the Victorian economy. The region hosts more than 4.255 million visitors each year who stay 12.8 million nights in the region supporting 5,152 jobs.

The region plays a key role in balancing population growth away from Melbourne and providing tourism and recreation opportunities for domestic and international visitors. Unfortunately, there is little additional support from State and Federal Government to enhance the role of this region, manage the impacts of tourism visitation, control weeds to ensure amenity is retained and to ensure the sustainability of the region.

4. Safety

Lack of investment into weed management is also a safety risk for rural and regional communities. Weedy roadsides populated by a consistent vegetation type will tend to pose a higher fire risk than those dominated by natives. Some grasslands, like Phalaris, can grow to two metres high, with fuel levels of 29 tonnes per hectare. This contrasts with fuel levels of 6

¹² Surf Coast Shire Council Roadside Weed and Rabbit Control Plan 2015 – 2017. Retrieved from http://www.surfcoast.vic.gov.au/files/3d749924-9125-413c-ba11-a5b500f33b9d/Roadside_Weed_and_Rabbit_Control_Plan_which_incorporates_State_Government_edits_2013_-_2015.pdf

¹³ <http://www.delwp.vic.gov.au/local-government/council-funding/roadside-weeds-and-pests-management-program>

¹⁴ http://www.mrsc.vic.gov.au/files/assets/public/strategies_plans_policies/weed-pest-animal-strategy-final.pdf

tonnes per hectare measured for native grasslands dominated by Kangaroo Grass (*Themeda triandra*) during January in an average year (CFA 2011)¹⁵.

For Macedon Ranges Shire Council the treatment of sites with high densities of woody weeds in bushfire prone areas close to townships costs in the order of \$60,000 annually (based on Council's 2013/14 budget allocation).

SOLUTIONS:

6. GREATER SUPPORT FOR LOCAL GOVERNMENT

- The State Government should look at opportunities to support Councils in their efforts to control invasive animals. The provision of additional funding and resources to support Local Government in compliance and enforcement strategies and education programs would enhance efforts to comprehensively manage weeds and pests.
- There has been significant cost and responsibility shifting from the State Government to Local Government over the last twenty years. For example Local Government is responsible for weed management outside of Crown lands, with only a modest investment from the State Government of around \$20,000 per annum. A recent change to legislation has now placed the responsibility for managing weeds on all municipal road reserves with Local Government. Across the Peri Urban Shire there is 22,000 kilometres of roads and 44,000 km of road reserves. The scale of the weed management issue is almost insurmountable for these organisations in isolation and without additional funds.

The Peri Urban Group of Rural Councils has also provided additional detail on the management of invasive pests via our submission to the Inquiry into Invasive Pests on Crown Land which can be accessed via <http://pugrc.vic.gov.au/management-invasive-pests-submission-parliamentary-inquiry/>

Thank you once again for the opportunity to provide comment on the issues affecting the sustainability of rural and regional Councils. Should you require further information, please contact Paula Lawrence, Executive Officer on [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
[REDACTED]

Yours sincerely,

Cr Neil Rankine
Co-Deputy Chair
Peri Urban Group of Rural Councils

¹⁵ http://www.mrsc.vic.gov.au/files/assets/public/strategies_plans_policies/weed-pest-animal-strategy-final.pdf