



Loddon Shire Council

Submission to the

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

08 September 2016

Parliament of Victoria, Environment, Natural Resources and Regional Development Committee: Inquiry into the sustainability and operational challenges of Victoria's rural and regional councils

Terms of Reference

To inquire into, consider and report, no later than 31 March 2017, the sustainability and operational challenges of Victoria's rural and regional councils, including but not limited to the following –

- a) local government funding and budgetary pressures
- b) fairness, equity and adequacy of rating systems
- c) impact of rate-capping policies
- d) capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure;
- e) maintenance of local road and bridge networks; and
- f) weed and pest animal control

1. Introduction

1.1. Our Approach to the Inquiry

Loddon Shire Council welcomes the opportunity to provide a submission to the Environment, Natural Resources and Regional Development Committee's inquiry into the sustainability and operational challenges of Victoria's rural and regional councils.

The structure of this submission follows the terms of reference by addressing each area of enquiry in turn, namely:

- a) local government funding and budgetary pressures
- b) fairness, equity and adequacy of rating systems
- c) impact of rate-capping policies
- d) capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure;
- e) maintenance of local road and bridge networks; and
- f) weed and pest animal control

The purpose of this submission is to highlight the unique sustainability and operational challenges faced by Loddon Shire Council in relation to the areas of enquiry listed above.

1.2. Our Shire

The Loddon Shire is located in central Victoria, about 175 kilometres north-west of Melbourne. It is bounded by Gannawarra Shire in the north, the Shire of Campaspe and the City of Greater Bendigo in the east, Mount Alexander and Central Goldfields Shires in the south, and Northern Grampians and Buloke Shires in the west.

The Shire is predominantly rural, with many small towns and communities and a current population of approximately 7200 persons. The largest towns are Boort (730), Bridgewater on Loddon (376), Inglewood (670), Pyramid Hill (454), Serpentine (376), Tarnagulla (152) and Wedderburn (671).



Population has been continually decreasing, with the 2011 Census showing 7546 and the 20015 Census showing 8012 as the population of the Shire.

The Shire encompasses a total land area of about 6,700 square kilometres. Land is used mainly for agriculture and horticulture, particularly grain, sheep, wool, beef cattle, dairy, pigs and poultry. In recent years there has also been viticulture, olives and fodder crops.



Major features of the Shire include the Loddon River, Terrick Terrick National Park, Leaghur State Part, Kooyoora State Park, Lake Boort, Major Mitchell Trail, Mount Korong, Melville Caves, Laanecoorie Reservoir and various wineries. Major highways passing through the Shire include the Calder Highway, the Loddon Valley Highway and the Wimmera Highway.

1.3. Our People

Loddon Shire has an above average age demographic with only 21% of the population under 18 years of age, and 17% over 69 years.

The top five ancestries claimed by residents of the Loddon Shire during the 2011 Census were Australian (44%), English (41%), Scottish (13%), Irish (11%) and German (3%). Overall, 86% of residents were born in Australia and 93% speak only English at home.

Overall, 32% of the population hold educational qualifications, while 55% had no qualifications.

The 2011 Census data showed that 2932 residents of Loddon Shire were employed. Of that total, 37% of workers were involved in agriculture, forestry and fishing, 10% in health care and social assistance, 7% in retail trade, 7% in manufacturing, 5% in construction, and 5% in public administration and safety.

Loddon Shire's Gross Regional Product is estimated at \$0.41 billion, which represents 0.1% of the state's GSP (Gross State Product).

1.4. Our Organisation

Council has about 194 staff in total, with an effective full-time equivalent of approximately 135.

Most staff work from depots, in Council's two offices or as home carers. Other areas where Council employs staff are in pre-schools, recycling stations, school crossings and in maternal and child health centres.

Council has an even split of male and female workers, with the age demographic continuing to show a strong presentation over 35 years of age, which will provide challenges for workforce planning in the future, particularly due to the high number of staff in the 55+ age bracket.

Some 38% of staff have been employed for less than five years, 39% have been employed for 5 to 15 years, with the remaining 23% being employed for over 15 years.

The traditional "long term" employment of many workers will also be a challenge in capturing corporate knowledge that would otherwise be lost on the departure of staff unless time is invested in capturing and managing knowledge.

Submission

a) local government funding and budgetary pressures

Loddon has a heavy reliance on external funding. Within the 2016/17 Budget grants received from the Victoria Grants Commission account for 26% of total income and Roads to Recovery accounting for 20% of total income.

Total rates and charges makes up a further 33% of total income.

When these external funding allocations drop, it is not possible to increase other revenue sources to offset the loss, especially with rate capping now in place.

The Victorian Grants Commission recently published statistics on the percentage that financial assistance grants contribute to recurrent revenue.¹ Thirteen metro councils receive the minimum grant which makes up an average of 1.7% of recurrent revenue for those councils. This funding could be better directed to councils which have limited capacity to generate revenue from alternative sources.

Council also has a heavy reliance on government to assist in the costs associated with major capital works projects. Without these grants the projects would not happen. Infrastructure demands cannot be met and the renewal gap will grow without the income required to support the demand.

In an effort to remain financially stable Council operates a number of reserves so that small amounts of money can be put aside each year to assist with major projects in future years.

In 2013/14 Council decided to cap all salaries and labour costs to 4% to further assist with the offset of income decreases.

Recommendation

1. That grant funding continue to be provided to Councils for general purpose and local roads.
2. That the national distribution principles be reviewed to consider the impact of adjusting the minimum grant provision to provide for the more effective allocation of funds provided to metro councils whose grants represent an insignificant percentage of their recurrent revenue.

¹ Victoria Grants Commission Powerpoint presentation: Regional Meeting – Shepparton 12 September 2016

b) fairness, equity and adequacy of rating systems

Loddon has worked hard to ensure that the impact of any rate increase is kept to a minimum and is equitable amongst rural and general landholders. For example, the rates of a dryland farming property with a Capital Improved Value of \$1 million in Loddon (exclusive of municipal charge) would be \$4,512; the same property in two neighbouring shires would be \$5,148 and \$7,910.

Loddon has always done its best to operate within its financial means and continually monitors services to implement cost savings to keep the rate rise at a minimum.

A large percentage of ratepayers are farmers and low income earners who do not have the capacity to pay any more for the services provided.

Recommendation

3. That the allocation of grants take into account the community's capacity to pay increased rates

c) impact of rate-capping policies

Loddon rates in the dollar are low compared to its neighbours

Rates	Loddon	Neighbour 1	Neighbour 2
Residential rates	0.005069	0.006385	0.008070
Commercial/industrial rates	0.005069	0.006840	0.008070
Farm irrigation district	0.004512	0.006318	0.007910
Farm dryland	0.004512	0.005148	0.007910
Municipal charge	\$188	\$100	\$159

With the introduction of the rate cap, this gap will be increasingly difficult to bridge. The shortfall in revenue is also difficult to make up as Loddon has no other income raising options to offset the gap such as parking revenue.

The introduction of the rate cap is expected to cut \$16 million from the rates income across the 10 year Long Term Financial Plan. In Year 1 (2016/17) rate income has been reduced by as much as \$262,182, a significant amount of money for a small rural council.

Loddon does not have the capacity to undertake an application for variation internally and would be required to hire a contractor at significant expense with no guarantee of approval.

Recommendation

4. That the impact of rate capping policies be reviewed in light of learnings from the first year of its application

d) capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure

LSC maintains limited capacity to adequately respond to the administrative and legislative requirements being imposed across a broad range of areas, including flood planning and management. Council continually debates and refines the assignment of available resources across a broad operational portfolio so as to best achieve a balance between community expectations, legislative obligations, resource availability and operational risk.

Like many other Council activities, consideration will be given to the relative priority of flood planning management and mitigation infrastructure and the associated resource demands. It is recognised however that previous flood events and the more recent introduction of new obligations and accountabilities via the state governments adoption of the Victorian Floodplain Management Strategy (the Strategy), have created increased community or government expectations with regard to the planning, preparation and response for floods.

The Strategy has provided much needed clarity regarding applicable policies, accountabilities and responsibilities in the context of floodplain management. However adoption of the Strategy has also resulted in a number of potential administrative, resource or financial demands being placed upon Council, which did not historically exist. This has occurred in an environment where many rural municipalities are already struggling to respond to community service level expectations, limited financial capacity or imposed revenue constraints.

Whilst it is recognised that Council will be supported by various state government agencies in the delivery of many of the identified obligations within the Strategy, it is still envisaged that there will be significant impacts with respect to how Council will go about resourcing and funding both preparatory floodplain management planning as well as delivery of required mitigation infrastructure. Other than potential co-investment in flood mitigation infrastructure, no direct financial support is being provided by the state government to local council's in the context of flood management planning or response.

From a broader emergency management context, under which flood preparedness and response inevitably sits, state government has however provided resource support via the Municipal Emergency Resourcing Program (MERP). This program supports a number of rural council's through the funding and appointment of Emergency Management Co-ordinators who assist in the development and co-ordination of emergency event planning and response activities. Council strongly supports the continuation of the MERP however recognises that the program is temporary in nature and no commitment beyond 2019 has been provided.

With specific reference to flood planning, LSC has been placed in a position where it will be required to prepare detailed flood infrastructure asset registers, identify who benefits from such infrastructure and then develop and implement administrative or governance processes with respect to the funding and operation of these assets. These requirements represent a significant escalation in LSC's responsibilities and shall require the assignment of both direct financial as well as human resources.

Potential areas where it is envisaged that capacity limitations are likely to impact either the timeliness or effectiveness of LSC's response to floodplain or flood protection obligations outlined within the Strategy relate to:

- time and cost associated with the identification of assets impacting upon flood behaviour across the shire e.g. mapping levee systems, drainage modelling or waterway and floodplain studies
- lack of internal expertise or resources to adequately assess and model flood behaviour and associated impacts of modifications to mitigation infrastructure
- administration and costs associated with stream clearance works i.e. vegetation removal to assist in flood protection
- administration and costs associated with identification and implementation of flood infrastructure governance arrangements e.g. special charge scheme or water management agreements

- compliance with various administrative obligations under the Water Act, Catchment and Land Protection Act, Recognition and Settlement Agreement, Aboriginal Heritage Act etc.
- ability to fund flood mitigation infrastructure projects
- potential low priority of local projects in context of attracting state or federal government co-contributions for flood mitigation works or difficulty in meeting state government investment thresholds.

To achieve a sustainable funding model for flood infrastructure, the Strategy proposes the discretionary introduction (by Council) of a beneficiary pays mechanism. Whilst the rationale of this principal is well understood and to some extent agreed with, the implication for Council relates to political and financial challenges in both defining, implementing and operating such a scheme.

Many communities within Loddon Shire are already face limited capacity to pay for services and the introduction of an additional charge to fund the ongoing maintenance of flood protection systems will further exacerbate this problem.

Given the financial constraints mentioned previously, it is envisaged that Council will have limited capacity to fund identified flood mitigation works. It is therefore possible that infrastructure projects viewed as being important to local communities may not proceed, further contributing to the social disparity between metropolitan/regional and small rural communities.

Recommendation

1. That consideration is given to the expansion of the MERP to assist councils in the administration and co-ordination of flood planning and response.
2. That in establishing protocols for assessing and determining co-contributions towards flood mitigation infrastructure projects, the state government give consideration to the limited financial capacity of rural shires and associated communities to fund such works.

e) maintenance of local road and bridge networks

Unlike predominately urbanised or metropolitan Councils, rural municipalities often face the ongoing challenge of maintaining the satisfactory condition of extensive road networks across often broad rural landscapes. Loddon Shire is currently responsible for the management of over 4,900km of local roads. Some of the challenges with respect to maintenance and sustainability of this network include:

- the scale of road network required to service the geographic area
- dispersion of rural industry, business or residences throughout the network
- matching community service level expectations against resource availability
- number of local bridges and major culverts and the associated age, condition or load capacity of these structures
- demand for improved transport network due to increased reliance on road freight or larger vehicles (e.g. B-double movements)
- limited opportunities or capacity to generate internal revenue to fund required maintenance or capital works
- reliance on external grants
- impact or restrictions created by third party assets interacting with road network
- availability, responsiveness and placement of resources
- environmental impacts or influences such as geology, hydrology or extraordinary events (i.e. floods).

All road authorities in Victoria are required to develop and operate under a Road Management Plan (RMP). Often the RMP is supported by a Road Asset Management Plan (RAMP) which, in combination, defines and models service levels standards and associated investment requirements for the road network. Loddon Shire Council routinely reviews these plans in consideration of community expectations, resource capacity and risk to match available resources with sustainable service level standards.

Whilst there are numerous challenges with respect to the maintenance and renewal of the road network, the primary factor influencing Councils efforts in this regard, is the availability of financial resources.

Funding for the ongoing maintenance and renewal of Loddon Shire Councils road network is largely reliant upon external grants obtained from the federal government, namely the Financial Assistance Grant (FAG) and Roads to Recovery (R2R) programs. Without these funding sources many rural council's would simply be unable to sustain an acceptable level of service throughout local transport networks. Accordingly any amendment or adjustment to such external funding programs has the potential for significant impact in the long term sustainability of local road networks.

Key financial components of Loddon Shire Council's (LSC's) local road investment effort, associated issues and how these can impact upon the sustainability of the road network are identified below:

Rates:

LSC currently raises just under \$10 Million annually in rates. Of this, approximately \$2.5 Million is expended on local road maintenance, capital renewal or upgrade. Predictive modelling of asset investment demand is undertaken to inform LSC's Long Term Financial Plan (LTFP), RMP and RAMP. This modelling identifies that in order to maintain the road network to a satisfactory condition, investment in the order of \$10 Million to \$12 Million is required annually.

As identified above, in the absence of any external funding to support LSC in the management of the local road network, rates alone would be unable to sustain the operation of the road network. This would ultimately result in gradual deterioration and progressive failure of assets.

The application of rate capping further limits LSC's ability to generate income. It is recognised that increases in rates alone is not be a viable option to address this funding shortfall. As such LSC is reliant on external funding from either the federal or state government.

Financial Assistance Grant Program:

Annually Loddon Shire Council receives approximately \$3.46 Million in FAG's tied to local road maintenance and renewal. Recent adjustments to this program resulted in a three year freeze (from 2014 thru 2017) on grant indexation.

In the context of LSC, whilst the freeze on indexation of the FAG's was offset by a subsequent change to the distribution formula, resulting in a small increase in funding during this period, the effect of the indexation freeze is still felt through an overall reduction in comparable funding which would otherwise have been available.

Further, the freeze for a three year period will ultimately have a compounding effect with respect to future funding available through this program. Given our reliance on the FAG's allocation LSC is extremely sensitive to any adjustments which would potentially reduce already limited funding available to maintain the road network.

Local government in Victoria has vigorously campaigned for the reversal of the 2014 Federal Budget decision for a three-year freeze on the indexation of FAG's, however to date has been unsuccessful. It would be preferential that the federal government give consideration to a potential one off increase of the FAG Local Roads allocation to make up for the 3 year impact as a result of the indexation freeze and also address any future compounding effect.

Roads to Recovery Program:

On 23 June 2015 the federal government announced a significant increase in funding which was to be provided to Local Government Authorities (LGA's) under the R2R program. In the context of LSC, an increase of \$5.2 Million (representing 50% of our total existing program allocation) over a three year period effectively negated any identified infrastructure renewal gap over the short term (i.e. 3 year financial period).

Whilst the fuel excise changes are now enduring, the federal government has provided no commitment of any additional funding being forthcoming beyond the initial 3 year period. It is however envisaged that LSC shall continue to receive the nominal \$1.8 Million per year as per the pre-existing program allocations. Given the significant benefit which the additional funding has provided with respect to maintenance and renewal of the road network (i.e. addressing Council's infrastructure renewal gap), a continued commitment to allocation of fuel excise related revenue to local road networks is being sought.

Targeted or special purpose grants:

Further to recurrent funding programs identified above, periodically specific purpose grants or other funding programs are made available to LGA's through the state government. Historical programs such as Local Roads to Market or County Roads and Bridges, affords smaller rural councils the opportunity to gain support for important freight route or transport network upgrades, which may otherwise struggle for funding or place additional pressure on Council resources.

Anecdotally it has been reported that some recent grant programs of this nature may not have been administered in accordance with the original intent e.g. funding assigned to peri-urban or metropolitan councils in preference to rural municipalities. However Loddon Shires experience with such programs has been largely positive and over the last decade a number of road related projects supporting local industry have been achieved.

Loddon Shire Council strongly supports any state government initiative which would see additional funding being made available, either on a competitive or allocation basis, targeted at supporting the improvement and renewal of the rural and regional road network.

Recommendation

1. In lieu of limitations placed upon Council with respect to generation of own source revenue to fund road maintenance or infrastructure projects, consideration be given by the state government for additional support in this area of operations.
2. That LGA's and the state government continue to lobby the federal government for indexation of the FAG's to be reinstated and maintained into the future (i.e. no future freezes).
3. That LGA's and the state government lobby the federal government to reinstate any local road funding reduction which has occurred as a result of the FAG's indexation freeze.
4. That LGA's and the state government continue to lobby the federal government to direct additional revenue raised through the fuel excise changes, towards the R2R program.
5. That state government give consideration to targeted funding programs to assist rural and regional councils deliver important road infrastructure projects e.g. Local Roads to Market or Country Roads and Bridges Program.

f) weed and pest animal control

The management and control of weeds and pest animals on both Crown land and Freehold land within Loddon Shire continues to be an ongoing concern for local residents, particularly given the extent of agricultural activity across the municipality.

For the purposes of the response to this enquiry, focus has been placed upon the management of roadsides as opposed to other areas of public land under LSC control. It is believed that management of general areas of public land under Council control, other than roadsides, is adequately being addressed through normal operations.

Primary factors identified in the context of this issue within the municipality include:

- lack of state agency enforcement upon Freehold property owners who fail to control weeds and pest animals
- extent of absentee landowners within the Shire and minimal treatment activities on these sites
- impact of untreated Freehold land upon roadsides or adjoining properties
- clarity for landowners regarding approved activities within the road reserve (i.e. enabling treatment of roadside weeds in conjunction with on-property weeds)
- LSC support (either financially or administratively) for landowners wishing to treat roadsides
- ability of LSC to proactively inspect or respond to treatment requests (resource constraints).
- LSC efforts to address areas where no landowners present or no active control exists on the roadside
- Legislative or administrative barriers to enabling landowner control on roadsides.

It is considered that LSC's greatest vulnerability with respect to the management of weeds and pest animals is linked to management on public roads and the associated interaction with adjacent Freehold land. LSC currently maintains over 4900 km of roads and the introduction of new responsibilities for the management of roadside weeds and pest animals has the potential to result in a significant cost and/or resource burden.

The issue of managing weeds and pest animals on roadsides is principally regulated by the *Catchment and Land Protection Act 1994 (CALP)*. However, responsibilities or mechanisms for controlling these pests are also influenced by other legislation such as the *Road Management Act 2004* and the *Local Government Act 1989*.

Historically within Loddon Shire, adjoining landowners have been proactive (for the most part) in the control and management of weeds and pest animals, and typically undertake control activities upon roadsides in conjunction with those upon their own property. This often gave effect to a consistent and locally co-ordinated eradication program throughout the Shire.

Conversely, where property owners demonstrate little regard for the control of weeds or pest animals on Freehold land, this has often contributed to the spread of this problem onto adjoining road reserves or neighbouring properties.

It is considered that inadequate enforcement on private land is being undertaken within the Shire by the Department of Environment, Land, Water and Planning (DELWP). Numerous private properties have been identified within the municipality, contributing to the proliferation of weeds and pest animals. This problem is further compounded by the extent of absentee landowners who do not maintain a regular presence on their properties.

Issues identified on private land create potential impacts and complexities for the management of weeds and pest animals on adjacent Crown land, including road reserves. Road reserves often represent a small component of the area which may be affected, yet have been the primary focus of recent changes to relevant legislation.

Changes to the Catchment and Land Protection Act (CALP) in November 2013 formalised a significant shift of management responsibilities for roadside weeds away from adjoining landowners and onto council's. Under the previous iteration of this legislation, pursuant to section 20(2) land owners were required to take all reasonable steps to prevent the spread of regionally controlled weeds and established pest animals on a roadside that adjoined their land.

Following the change in legislation, responsibility for the identification and treatment of regionally controlled and prohibited weeds or pest animals on roadsides within the municipality now rests with LSC. Further to this additional operational responsibility, by June 2013 each municipal council was required to prepare and report on its roadside weed and pest animal management plan (the Plan). The introduction of legislative changes in 2013, including the requirement to prepare a Plan (linked to availability of state funding), has placed an additional administrative and operational burden upon councils.

In recognition of this burden the state government has provided LSC with annual funding for a three year period in the amount of \$50,000 per annum (2013 thru 2016). This funding is however dependant on Council preparing a Roadside Weed and Pest Animal Management plan to the satisfaction of DELWP. A further allocation of \$60,000 has also been provided by the state government for 2016-2017.

LSC welcomes the financial support offered to date by the state government and has utilised this funding to deliver targeted control programs in partnership with the North Central Catchment Management Authority and the Dja Dja Wurrung Clans Registered Aboriginal Party. However, LSC still maintains concerns that the scale of weed control throughout the municipality is poorly understood and that ultimately funding provided shall only represent a fraction of that which is required to effectively undertake widespread control across the municipality as per the legislative requirements.

Further, uncertainty still exists with respect to continuance of state government funding towards this issue and concern that there is a high likelihood that all financial responsibilities for roadside weed management will shortly pass to council with no state government assistance.

In response to this, Council is in the process of developing a Roadside Management Strategy (RMS) which will seek to facilitate landowners continuing the management of roadside weeds and pest animals. A number of complexities need to be overcome in regard to additional administrative or legislative approvals which must be obtained to facilitate such activities. Such complexities include:

- planning controls over impact on roadside vegetation
- permit controls under Road Management Act
- establishment and administration of a chemical subsidy program
- exemption of activities under Dja Dja Wurrung Land Use Agreement

A number of strategies or approaches for the management of weeds and pest animals may be considered during development of the RMS which may see LSC support local landowners and conservation groups to undertake the vast majority of required works as opposed to conducting spraying or eradication works itself.

Support to local landowners to undertake co-ordinated or programmed spraying or control activities may include but is not limited to provision of training, access to chemicals and baits. LSC also envisaged that as part of the RMS development mapping & planning studies will be undertaken as well as establishment of administrative protocols and activity exemptions under the Road Management Act.

It is noted that the funding agreement presented to LSC places no restrictions on councils in providing funding to appropriately recognised community groups (for example, Landcare) or appropriately licensed/accredited contractors to undertake eligible control activities. LSC shall seek DELWP consideration of an amended plan where support may also be provided to adjoining landowners in a co-ordinated manner.

Recommendation

1. That the state government support Weed and Pest Animal Management Plans which seek to facilitate landowners undertaking control activities on adjacent roadsides.
2. That DELWP undertake active enforcement to address ongoing problems of weed and pest animal proliferation of Freehold land.
3. That ongoing weed and pest animal funding be provide to local councils in light of the recent CALP legislative changes.

Summary

As a rural council, Loddon Shire faces a range of sustainability and operational challenges. With limited financial and human resources and increasing service and infrastructure needs, Loddon Shire has difficult decisions to make about the type and level of services, infrastructure development and community development it supports and funds into the future.

The increasing demands of State Government also stretch resources in a way that results in compromises and sacrifices being made which are often at odds with community expectations and needs.

More can be done to support rural and regional councils meet the competing needs of a range of stakeholders. This paper attempts to highlight some of the initiatives which may help rural and regional councils continue toward sustainable futures.