

From: Diane Hood [REDACTED]
Sent: Friday, 16 June 2017 1:15 PM
To: ENRRDC
Cc: EMG
Subject: Submission on Inquiry into Sustainability and operational challenges of Victoria's rural and regional councils

Importance: High

Dear Sir / Madam,

Please accept this email as Campaspe Shire's submission into the inquiry into the sustainability and operational challenges of Victoria's rural and regional councils.

As a general comment, Council has embraced the challenge of improving its sustainability. Campaspe Shire has focused on productivity and efficiency enhancements over the last two years and will achieve a true operational surplus in 16/17 and has a budgeted operational surplus for 17/18. This has been achieved within the rate cap. This reverses the prior and recent trend of operational deficits. To deliver these operational surplus we are, in part, currently relying on identified surplus land and other assets as well as industrial land sales, we are aware this is not ongoing but is allowing us to put in place ongoing efficiency enhancements. Council has also resolved to look at service reviews as part of its Council Plan.

A major focus for Council is developing an infrastructure strategy based on knowledge provided from asset management plans and condition assets. Key objectives which directly impact the future service delivery strategy are to seek to maintain existing service levels where appropriate. As such, Council intends to

- Investigate additional sources of own source revenue;
- Continue its identification of productivity and efficiency improvements;
- Rigorously review fees and charges to ensure appropriate services are self-funding;
- Introduce a more detailed financial and needs analysis for new projects, determining whole of life costs against demonstrable benefits;
- Prioritising services as mandatory (must-do), preferred (should do) and discretionary (like to do) – this last category should be cost neutral or provide revenue to Council' and
- Undertake a detailed service review of each service.

To response to the terms of reference:

A. Local Government funding and budgetary pressures.

At the bottom line, it is still the case that costs are rising at a faster rate than revenue. Several of these costs are outside of Council's control such as utilities and staff expenses under the current EBA. While Council will continue to manage its costs and seek improvements, we note that the rate cap calculation does not appear to match the real term cost increases from Council's providers. Another example of this is that while the rate cap is set to 2% which matches the CPI forecast for Victoria, the Victorian wage price index is projected to be 2.5%.

Another item which makes the management of community expectations difficult is the model budget which contains capital revenue, but not capital expenses – as such the surplus/deficit shown does not reflect the operating sustainability. We recommend that the model budget be changed to remove capital revenue or move "below the line".

Undertaking administration work on behalf of State Government, without costs being considered, is an ongoing issue. An example is the collection and remitting of the Fire Service Levy. While each instance of this is small in its own right, these activities add up. There are also several mandated services (planning, libraries) where revenue does not cover costs.

The loss of funding from the period the financial assistance grants were frozen cannot be recovered, it is anticipated the cost to Campaspe Shire of this was approximately \$750,000 over the three years.

Moving statutory requirements often also lead to increased costs to Council, for example line clearance for tree branches and the reporting requirement for domestic violence.

B. Fairness, equity and adequacy of rating systems and C. Impact of rate capping policies

We currently have a long term financial sustainability risk, and this is due to a number of factors which include rate capping. Council's rating strategy as set out in our 17/18 adopted budget is to stay within the rate cap limits set by the State Government providing that (a) the actions outlined in our Council Plan relating to the infrastructure and service delivery sections result in an improved and sustainable operating result; and (b) there are no new identified major projects. Council intends only to consider a rate variation where it is tightly coupled to a demonstrated, documented and measurable benefit to rate payers.

Campaspe Shire has made comment on the recent change moving to annual valuations, while commitments have been made by the State Government that costs will not increase, there are several factors which are not yet known and of concern, particularly with the change of data ownership.

D. Capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure

In terms of flood infrastructure, there are assets (such as levee banks in national and state parks along river reserves) that were informally constructed (due to a need at a point in time) that have no defined level of service, have not been maintained and are currently effectively 'orphaned'. Parks don't want them as they are not 'protecting' their assets nor do they have the budgets or equipment to maintain them, CMA's don't want them for similar reasons, farmers don't want to be held responsible for maintaining them even if DELWP would let them. Some are arguing that Councils have the plant, the people, the expertise, the community benefit etc – however these "orphan" assets are not costed and need ongoing funding to move under Council control.

The other impact to Councils in terms of floods and other disasters which is not often considered, is the loss to the community in terms of productivity, business and clean up. This is an economic impact which may be indirect, but does impact Council's, often through having to re-direct resources (people, plant) to disaster recovery at the expense of other Council activities.

E. Maintenance of local road and bridge networks

Campaspe Shire is working hard to manage to a (small) annual operational surplus, however this will not bridge the growing renewal gap which requires capital funding. Campaspe sets its capital budget as its depreciation + roads to recovery and other capital grants. We know over time this allocation will not meet renewal needs.

Campaspe Shire seeks improved asset renewal funding, particularly for roads and bridges which are the backbone of rural living and drive economic health in regional areas (access to markets).

Other items in this area that directly impact on Council's sustainability and operational challenges, are:

- 85% of Australia's roads are held by local government, so the economy of the country 1st Km, last Km and the commerce interstate and the unsupported damage of infrastructure is paid for by people who

don't benefit from it. (Locals pay for costs incurred in interstate commerce without necessarily getting the revenue.)

- NHVR are expecting and economic development of the regions is best supported by infrastructure that meets the needs of businesses. Large and medium businesses are driving down the PBS (points benefit system) designs of heavy vehicles. PBS is best practice as it eliminates poorly designed vehicles and sets standards that mean businesses get purpose built vehicles for their uses, with road safety, fuel efficiency, load capacity and traffic density benefits and this will drive economic gains in transport. (I have seen this work in NZ and I believe it is the route in Central Europe.) PBS vehicles almost automatically suit state roads as they are large, long with bespoke amendments for the different services they provide, but will over the next 5 years place extremely large emphasis on Councils to amend their road systems or the program will not work.
 - If the Federal Government go hard down this route the owners of the 85% in rural areas will be again fishing for improvement money for benefits they may not see.
 - How can Councils sell to ratepayers the idea of widening and vastly improving the design and sight lines, for example, on road not at intervention or whose traffic, on a numbers basis, doesn't make it work.
- 2/3 of bridges in Victoria are owned by local government and 25% are in a poor or very poor condition, renewals and remediation for these is an immediate concern for mainly rural Councils as they own the majority of those in poor condition (approximately 60%) and have the lowest rating bases, discretionary funding and commercial or non-rates revenues.
- Essential Services Commission requires or requests forewarning of rates rises above the cap, however rural Council on top of the above have lower resources to meet their expectations : see the NAMAf conversation where Councils are going backwards and mainly rural councils.
 - Structurally the rural councils don't have the attractiveness of metropolitan councils for staff, and are at greater risk or retention or succession risk and do not have a great consultant or contractor base to plug gaps at reasonable costs.
- Of ESC's 2016/7 9 rate variation requests 6 were from Shires and 5 of those cited infrastructure as the reason for both application for a cap review and acceptance of it. (The infrastructure couldn't be renewed and the Council sound without the variation.) Those shires would not be sustainable at an infrastructure level without a rate variance. Campaspe Shire believes these requests will grow.

F. Weed and pest animal control

- Rural roadside weeds and pest animal control program
 - We are currently meeting our obligations for section under the *Catchment and Land Protection (CaLP) Act 1994 Part 3* to eradicate regionally prohibited weeds and prevent the growth and spread of regionally controlled weeds on the roadside of a municipal road due to the funding from the State Government for the Roadside Weed and Pests Program. This is our second year of receiving funding of \$75,000 to treat the roadside weeds identified in our Roadside Weed and Pest Animal Control Plan.
 - Without this funding, we do not have the budget of \$75,000 to treat these roadside weeds.
 - In addition to the funding, Council supports this program through staff time which coordinates the contractor to conduct the weed spraying, complete mapping, liaise with the community to address weed problems and educate the community on noxious weeds (primarily what is and isn't treated and their obligations on their land).
 - Prior to this two years of funding, we received three years of funding of \$50,000 pa which paid for the initial Roadside Weed and Pest Animal Control Plan to be developed, extensive community engagement and survey on roadside weeds and treatment of roadside weeds.

- Treatment of roadside weeds is a new expense for Council as the responsibility for treatment of weeds on municipal roadsides was only defined in the *CaLP Act 1994* in 2013.
- Council's expenditure on weeds and pests animal control

Estimated *	2016/17	2015/16
Rural roadside spraying program	\$63,094	\$73,097
Parks and Gardens	\$126,589	\$147,918
Road maintenance*	\$43,369	\$21,700
Totals	\$233,052	\$242,715

- Pest Animal Control
 - In terms of pest animals listed under the *CaLP Act*, we do not have an active program to treat pest animals. Due to the features of our landscape and the land we manage, there is not a requirement to run animal control programs. There are only two areas of the Shire that report a rabbit problem. We have provided financial assistance to the the local community in Rochester to treat rabbits through our Community Grants program in 2014/15. There have been no other active rabbit control programs in the area.
 - While the pest animal Red Fox is an established pest in our region, it is not established on Council land and therefore we are not required to control.
- Future weeds
 - With the impacts of climate change, the changing climate will impact on the presence and abundance of weeds and pest animals and provide new challenges for councils to address.

The biggest operational challenge for Council to manage weed and pest animal control is funding.

Other items:

Waste is also viewed as a sustainability issue in that there could be significant costs imposed through infrastructure improvements required to cope with E-waste legislation (banned from waste to landfill). We receive 50% of funding from sustainability Victoria (at most). There are a range of waste related costs that Councils have had imposed as a result of increasing Environmental Protection requirements to rehabilitate landfills (ones not used for many years are also being addressed) and due to the infrastructure requirements at transfer stations regarding recycling.

Yours sincerely, Diane

Diane Hood
General Manager - Corporate Services
 Campaspe Shire Council
 PO Box 35, Echuca VIC 3564



Email: [REDACTED]

Website: www.campaspe.vic.gov.au

Facebook: www.facebook.com/ShireOfCampaspe

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