

Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils

Environment, Natural Resources and Regional Development Committee of the Parliament of Victoria

Submission from Mount Alexander Shire Council, June 2017

Introduction

Mount Alexander is a complex and unique community. Located in a major corridor within commuting distance of both Bendigo and Melbourne, the Shire comprises of several small towns and communities of national historic and environmental significance. This Shire covers an area of over 1,530 square kilometres.

The community is distributed across five main township areas that include Castlemaine, Newstead, Maldon, Harcourt and Taradale. The population of Mount Alexander Shire is currently 18,300 people and increasing each year. Mount Alexander Shire enjoys an enviable variety of employment options and economic opportunities. In an area previously known for its gold rush history and strong agricultural sector, today manufacturing is a key industry. Employment within the Shire extends to health, retail, education and community organisations. Tourism and the art sector also provide a strong platform for local businesses. The hospitality industry is flourishing, with many eateries, wineries and other producers helping to attract visitors to the shire.

Mount Alexander Shire Council is appreciative of the opportunity to provide feedback on the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils.

Service provision to our community includes:

- Emergency management support and mitigation in collaboration with emergency service agencies.
- Community service provision in the areas of early childhood, maternal and child health and youth services.
- Health and wellbeing service provision in the areas of disability, aged care and regulation of food premises.
- Planning and building services.
- Transport and infrastructure services that include road, footpaths and drainage.
- Sports, recreation and leisure facilities.
- Waste management and operation of an EPA licensed landfill.
- Arts and culture services and promotion that encompass Phee Broadway Theatre, Visitor Information Centre and community arts exhibitions.

The Shire is responsible for:

- 1432 km of local roads
- 13 footbridges
- 230 bridges
- 108 major culverts
- 254 community buildings valued at more than \$53 million
- 51 km footpaths plus extensive trail networks
- 3,295 pits
- 72 km stormwater pipes
- 3 botanical / public gardens
- 26 playgrounds
- 1 skate park
- 3 BMX tracks
- 63 courts
- 18 sporting fields
- 8 sporting facilities
- 4 swimming pools

Shift in Demographics

The community is ageing with a higher proportion of the community aged over 60 years. By 2031, the Shire is expected to see a 91.7% increase in people aged 65 years and over (Source: Australian Bureau of Statistics, Census of Population and Housing). Due to council's ageing population, there is expected to be an increase in demand for council's provision of aged and disability services.

Responses to the Terms of Reference

a) Local Government funding and budgetary pressures

Landfill management and environmental considerations

Given the high cost of landfill management, council has recently decided not to develop a final landfill cell and will instead close its landfill in the near future. This closure, while a modest cost saving, brings forward the need for a significant investment in a new transfer station, the capping of legacy cells, and the installation of a greenhouse gas management system for the site.

Opportunities exist for state funded assistance to progress the initiative of transitioning to a best practice transfer station, and if found feasible, a waste to energy plant to process food and organic waste. It is also noted that landfill is responsible for approximately 90% of council's greenhouse gas emissions, and that council has a zero-emissions target by 2025.

As a rural shire, Mount Alexander Shire residents pay the rural landfill levy rate which in 2017-18 will be \$31.71 per tonne of municipal waste and \$55.46 per tonne for industrial waste. When landfilling ceases, waste will need to be transported to an alternate site.

Current analysis has identified three possible locations, two of which are in the Melbourne metropolitan area. To enable an equitable approach, consideration of a review of the rural levy rate for waste regardless of whether it sends waste to a rural or metropolitan landfill could be undertaken. This equity is required to provide a reasonable choice, as the three identified locations are almost equidistant, however the current difference in levy skews the playing field toward a regional option that is the poorest performer in terms of greenhouse gas capture.

Council is also active in supporting local Landcare groups leading the rehabilitation of old landfill sites and buffers. These groups are incredible in their efforts and would benefit from funded resources to achieve the rehabilitation results required.

The recent State Government budget disbursed \$136,000,000 from the Sustainability Fund for laudable projects. The twin objectives of funding could primarily be achieved through waste-centric projects that concurrently reduce both waste and greenhouse emissions. Equity is also an important principle to be considered.

Emergency Management

It is acknowledged that local government play a significant role in engaging local communities, building resilience and helping communities plan for emergencies and disasters. A Council's knowledge about local people, history, risks, vulnerabilities, operational requirements and services is critical in planning for, responding to and recovering from a disaster.

The Mount Alexander Shire contains some of the state's most fire prone areas. Agreed management for the mitigation, prevention, preparedness, response and recovery to emergencies is undertaken as a collaborative arrangement with the Northern Victoria Emergency Management Cluster. This cluster comprises of five councils (City of Greater Bendigo, Central Goldfields, Mount Alexander, Loddon and Campaspe Shires), who plan to operate under the Northern Victoria Integrated Municipal Emergency Management Plan (in process of being endorsed).

It is noted that a transition to the integrated model was anticipated to occur on 1 July 2016. Unfortunately the transition was delayed due to concerns from the State Emergency Service (SES) whom are responsible for auditing of the MEMP. Other State, Regional and Municipal agencies/committees had approved the integrated plan to be tested under current legislation.

The MEMP structure and content has undergone major changes in the past 24 months with legislative and agency responsibilities undergoing reform. This includes a number of legislative amendments and new structure and section requirements under the Emergency Management Manual Victoria (EMMV). This has required a major rewrite of the previous MEMP by the Northern Victorian Cluster and agencies including Victorian Police, SES, Australian Red Cross, Victorian Council of Churches – Emergency Ministries and other community groups.

Environmental conditions and weather events in recent years have seen the threat of fire and the impact of flood affect the Shire. The implementation of the changes to the MEMP structure has increased organisational resource needs. To assist with the ongoing review and identification of emergency management requirements for Mount Alexander Shire, it is imperative that State funded resources continue to be considered and made available to ensure we can prioritise, prepare and respond to the needs of the community..

Endorsement of proposed reform to Planning system

Earlier this year, State Government acknowledged difficulties with the Victorian Planning system, which had resulted in caused concerns for members of the community, local government and industry with navigating their way through the system.

State government have advised that they intend to work with councils to ensure that future planning needs are met, planning rules are made clearer and simpler, and that associated preparation times and costs will be considered to ensure processes are as efficient and effective as possible.

Mount Alexander Shire Council notes and endorses these proposed reforms to the Planning system, and looks forward to working with State government to implement continuous improvement initiatives.

Cost shifting

Council provides a number of services on behalf of the State Government for which inadequate funding is received, resulting in the contribution by ratepayers for these services. Council supports the MAV position that cost shifting by the State Government is posing an increasing financial burden for Councils, particularly in relation to services that Councils deliver on behalf of the State Government.

Additional cost implications have also emerged for Mount Alexander Shire council in the areas of Aged Care funding, Library Services, Weed Management, Urban Waterways and increased reporting such as the Local Government Performance Reporting Framework.

Councils are increasingly funding Maternal and Child Health services. In 2016/2017 a total cost of \$260,000 was attributed to Mount Alexander Shire Council, and the State Government only provided \$144,000. The placement of school crossing supervisors, which support the functioning of schools, costs Mount Alexander Shire Council \$100,000 each year while the State Government provides \$30,000 toward the provision of this service. It is also acknowledged though that State Government have announced and are providing increased funding for Maternal Child Health services and school crossing supervisors in 2017/2018.

Many of the fees charged for vital Council services such as town planning are set by the State Government. These fees have not been indexed consistently since 2000, and consequently no longer reflect the costs associated with delivery of the service. With the introduction of rate capping, Councils and communities will have to be even more discerning about what range and level of services are provided in the future.

External influences

Whilst preparing for the 2017/2018 budget, Mount Alexander Shire Council has considered a range of external factors that influence outcomes. These include:

- The Victorian State Government has introduced a rate cap on rate increased from 2016/2017. The cap for 2017/2018 has been set at 2%.
- State-wide CPI is forecast to be at 2% for the 2017/2018 year.
- The Victorian wage price index is projected to be at 2.55% in 2017/2018.
- Employee wage increases have been negotiated at 1.75% p.a. for a period of four years from September 2016.
- Although a freeze on the indexation of the Financial Assistance Grant (FAG) has been removed for 2017/2018 onwards, there is a permanent reduction in the total Financial Assistance Grants received by Council. The freeze of the indexation of Financial Assistance Grants is estimated to result in a permanent reduction in the grants base by approximately 13%.
- Increases of 3.3% (or \$2.02 per tonne) in the levy payable to the State Government upon disposal of waste into landfill, resulting in additional waste tipping costs. The levy has increased from \$9 per tonne in 2008/2009 to \$60.52 per tonne in \$2016/2017 (572% increase in 8 years)
- Councils across Australia raise approximately 3.5% of the total taxation collected by all levels of government in Australia. In addition, Councils are entrusted with the maintenance of more than 30% of all Australian public access in order to ensure the quality of public infrastructure is maintained at satisfactory levels.

Internal influences

Whilst preparing for the 2017/2018 budget, Mount Alexander Shire Council has considered a range of internal factors that influence outcomes. These include:

- Councils hold elections for councillors every four years. The last election was held in October 2016 with a net cost to Council of \$130,000 in 2016/2017.
- Council continues to identify savings in electricity usage through the installation of solar panels on Council owned buildings.
- Council continues to review its services and identify savings through the efficient management of resources. The undertaking of service reviews will continue to be rolled out through 2017/2018. This comes at a cost of approximately \$70,000 per year.

b) Fairness, equity and adequacy of rating systems

Proposed change in valuations

Along with other local Councils, Mount Alexander Shire is pleased to note the recent changes proposed for Centralised Annual valuations. State government have advised that they will cover the full cost of the revaluation on odd years. This will ensure that our Council is not financially worse off.

With regards to the funding model, it is suggested that Council and State government cover 50% of the costs each year (rather than bi-annually). This will enable alignment with existing budgets and may suit VAGO is that payment of costs is undertaken in the year that they are incurred.

It is also noted and appreciated that the Valuer-General will be responsible for the costs of any IT system changes and the increased costs of in-house rates for staff.

Mount Alexander Shire Council currently conducts valuations on more than 11,500 properties every two years, at an approximate cost of \$80,000.

c) Impact of rate capping policies

The impact of rate capping has had a direct impact on the ability of Mount Alexander Shire Council to continue to deliver the current level of services and capital expenditure. The budget and long term financial plan have been based on low increases to materials, services and employee benefits (2.5% increase for materials and 3.5% increase for employee benefits); these were forecast at 4.0% and 4.5% respectively prior to the introduction of the Fair Go Rates System. It is therefore probable that Council will be required to reduce the level of service provision and/or type of services that are provided.

The impact of the introduction of the rate cap on the total revenue from rates for the Council is estimated at \$3.2 million over a five year period to 2020/2021.

The total impact of rate capping is yet to be determined however the Council plan and budgets are currently in the process of being developed and endorsed. This in turn may result in objectives and targets not being met over the next three to four years if service models are required to change.

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

Flood mitigation within the Shire

Significant rain events and flooding were experienced within the Mount Alexander Shire during September and October 2016. This impacted many townships, particularly Campbells Creek, Castlemaine, Guilford and Baringhup. The flooding resulted in properties being impacted by mostly riverine flood waters. Flash flooding also caused significant damage to roads and footpaths shire wide. Additional works also continue to be undertaken in response to flood events from 2011/2012.

It is recognised that the townships of Castlemaine, Campbells Creek and Guildford currently have inadequate levels of flood protection. A detailed design of the Castlemaine and Campbells Creek levee will be completed this financial year, however funding for construction is uncertain and is expected to be funded via a rate variation, with one third of funds to come from Council, and the remainder from State/Federal funding.

The Newstead Levee which is in place, offers a level of protection of approximately 1 in 80 year flood event, however due to the unknown construction method and materials being used, at least half of the levee construction is considered high risk. Detailed designs will be completed this financial year. Council has already committed \$80,000 towards the functional design of levees, with State and Commonwealth funding the remaining \$160,000.

Mount Alexander Shire suffers from other localised flooding, dependant on the type and location of weather events. Additionally, Council has limited flood warning systems/infrastructure in place and a road network that is susceptible to flooding, which results in townships being partially/fully isolated.

There is currently no budget allocation for levee maintenance, however this will be required if/when the new levees are constructed. There is currently no budget allocation for levee infrastructure inspections/audits. Consideration of State funded assistance help progress this.

e) Maintenance of local road and bridge networks

Funding models and replacement programs

Council's entire road reconstruction and rehabilitation programs are funded by Roads to Recovery – Government Funding.

There are limited funds available for additional road reconstruction/rehabilitation and bridge replacement due to the relatively small population base/ratepayers in the Shire, compared to the length of the sealed and unsealed road network and the number of bridges and major culverts.

Approximately one quarter of the Shire's bridges have load limits placed on them, due to the lack of funds available to replace them.

The State Government ceased funding the Country Roads and Bridges program in 2014/2015. For the four years prior, Council received \$1,000,000 in funding. This has placed a significant impact on Council's capital works program.

f) Weed and Pest Animal Control

Mount Alexander Shire Council is responsible for the management of a range of natural assets, including roadsides and waterways, and is committed to the management of invasive weeds and pest animals. Unfortunately, some confusion still seems to exist in terms of the respective roles of local government, state government and adjoining landholders in controlling weeds and pest animals on roadsides that are part of the local road network.

The current state government funding of \$31,000 per year for weed management to Council is inadequate for a Shire of over 1500 square kilometres. This funding is currently disbursed by Council through grants to Landcare groups, leaving areas without Landcare groups without treatment. Council believes that at a minimum a tripling of the State Government funding is needed taking account of community requests and Council's observations.

Council has a contract with RSPCA to operate the Castlemaine Pound. The RSPCA has indicated their intention to close the pound at the end of 2019 owing to the high costs of operating the facility and its policy of centralisation of pound services. Council has recently been informed that the RSPCA now intends to close the Castlemaine pound in the 2017/2018 financial year.

A seven day a week pound service is no longer required with the numbers of animals presenting at the pound having decreased by approximately 30% over the past 5 years.

Council needs to undertake alternative arrangements to provide a reduced pound service to alter operations when the pound closes, as well as improved permanent arrangements to provide domestic animal services. Communications are in the process of being established for our community that will advise alternative strategies and resource allocations that will now be imposed for the management of stray and seized dogs, cats and wandering livestock.

Conclusion

This submission has provided a snapshot of some of the challenges that are being experienced or will shortly emerge for the Mount Alexander Shire Council.

The Council will be required to respond to increased demands from our community, review service delivery models to verify validity and possible cost savings and ensure responsive reporting to a suite of reporting requirements to Federal and State governments. This will be required to be undertaken with reduced revenue opportunities and a restricted income base.

The impact of rate capping is still yet to be determined however the Council plan and budgets have recently been adopted and are required to include and forecast expenditure and projects. This in turn may result in objectives and targets not being met over the next three to four years if service models are required to change.

Whilst Council considers how it will juggle these complexities and develop strategies to respond, we are also cognisant of the overarching need to ensure the health and wellbeing needs of our rural communities are met. Long term impacts of functioning at this level may however have damaging and irreversible impacts.