



Victorian Local Governance  
Association

SUBMISSION 64  
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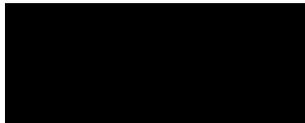
Annemarie Burt  
Research Officer  
Environment, Natural Resources & Regional Development Committee  
Parliament House  
Spring Street  
East Melbourne VIC 3002

17 August 2017

Dear Annemarie,

As requested by the Committee, please see attached the submission the Victorian Local Governance Association (VLGA) spoke to on the 15<sup>th</sup> of August 2017.

Kind Regards,



Kathryn Arndt  
**CEO VLGA**

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

### **Terms of Reference**

To the Environment, Natural Resources and Regional Development Committee to inquire into, consider and report, no later than 21 September 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

### **Submission tabled by the VLGA – Tuesday 15<sup>th</sup> August 2017**

The Victorian Local Governance Association (VLGA) is a peak body supporting councils, councillors and the community. The VLGA has 19 Rural/Regional Council members.

It is the view of the VLGA that the policy approach to Local Government in Victoria is not a "one size fits all" – there are 79 Councils in Victoria and 48 of these Councils fall outside of the metropolitan region.

Each municipality has diverse communities with diverse needs, diverse local industries and revenue generating capacities and therefore, diverse needs in respect of the investment required in roads, infrastructure and service delivery.

#### **Limited Income and Unique Features of Rural Councils**

- Rural councils that made submissions to the committee overwhelmingly expressed concerns about maintaining services into the future within a rate capped environment.
- Some councils like the Rural City of Wangaratta observed that a "One size fits all approach is regressive and inappropriate to rural and regional councils".
- Other councils like West Wimmera, were less concerned with the immediate impact of rate capping. These councils expressed that they had performed well in a rate capped environment by managing expenditure and increasing operating efficiencies. It was also noted that many rural communities had reached their capacity in their ability to continue paying increased rates. This contributed to a view that rate capping would have a minimal effect on their council.

- In search of alternative sources of revenue, many councils noted that they were becoming increasingly reliant on federal and state grants.
- Concerns were raised over cuts to key infrastructure initiatives like the County Roads and Bridges coupled with the freeze on indexation of federal assistance. This was somewhat offset by the satisfaction regarding the Federal Governments Roads to Recovery Program.
- Rural councils also raised the issue of state funding cuts to emergency assistance programs, childcare, pest and weed reduction and flood mitigation infrastructure.
- Most submissions related their objection to these cuts back to the unique features that make up rural councils. Pyrenees Shire Council note that they have over 4,000 kilometers of local road. This has meant that the cost burden of roadside weed control has been significant.
- Rural councils also noted that they had significantly less revenue streams than metro and regional councils who are able to generate income from user fees, parking facilities and redundant asset sales. Loddon Shire Council submitted that they have “limited capacity to generate internal revenue to fund required maintenance or capital works.”

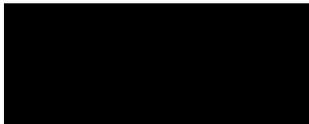
### **Expenditures and Cost Shifting**

- Rural councils overwhelmingly raised the issue of cost shifting as a significant burden on local budgets.
- Most councils submitted that state government cost shifting on programs like childcare, emergency services and school crossing supervisors was putting pressure on councils capacity to deliver services.
- Submissions placed emphasis on cost shifting involving flood mitigation infrastructure and maintenance. Buloke Shire Council explain that “Councils are now expected to fund a third of flood levy capital costs and provide the ongoing management and maintenance of infrastructure.” City of Greater Bendigo also warned about the impact of cost shifting State Emergency Services. They stated their belief that the SES should be funded by the state government at the same level as other emergency services.
- Councils also submitted concerns regarding the costs associated with roadside weed and pest control. Many small shire councils, expressed their dissatisfaction with the state government shifting responsibilities for these programs.
- Murrindindi Shire Council claim that the annual state funding for roadside weed control is enough to cover just “10% of Councils roadside reserve.” Moreover, in their submission they estimated that they would have to allocate between \$400,000 and \$450,000 per year, to regionally contain weeds.
- Most councils expressed some concern about a growing infrastructure renewal gap. The lack of federal funding has meant that some councils have had to delay vital road maintenance work. Councils like Campaspe Shire and Hindmarsh Shire submitted that the future costs of maintenance would only increase as the infrastructure renewal gap widens.
- Some councils detailed their objection associated with the landfill levy, prescribed by the Environmental Protection Agency. Both Macedon Ranges Shire Council and Carabobo City Council view the levy as a major cost to the area, without any investment from the revenue raised. Macedon Ranges estimated they spent \$800,000 in landfill levies in 2015/2016 with little to no return.

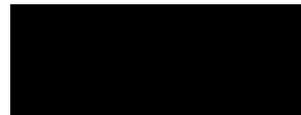
## Solutions

- Some council submissions presented steps they were taking to become more financially sustainable in an income constrained environment. These solutions were mostly submitted by regional and city councils.
- Improving workplace planning and operational efficiencies were among the common areas where improvements could be made.
- The City of Wangaratta noted that they had undertaken a voluntary redundancy program and had seen a 3.5% reduction in their workforce. They also used reduced business operational costs by 5% through targeting efficiencies in payroll processes and mobile technology in asset management.
- The City of Whittlesea cited their use of partnerships with other organisations to deliver key community infrastructure in a high growth area. By partnering with YMCA, they delivered a multipurpose community centre that saved ratepayers approximately \$4 million. They estimate to save a further \$1.6 million on operational costs.
- Mildura Rural City Council have also used strategic partnerships to manage the impact of invasive plants and animals on local roads and farms. Council has partnered with land owners, community groups and state government agencies to ensure desired outcomes.
- In 2015 Bendigo City Council initiated a review of over 100 services that sought to prioritise the needs of the community. This review assisted in finding innovative ways to improve systems without impacting the ability of the council to provide services. The city estimates a net savings of \$4.3 million over four years.

The question remains as to if the above-mentioned initiatives and innovative measures are sustainable into the future without consistent financial support and investment from State and Federal government in a rate capped environment.



**Kathryn Arndt**  
CEO VLGA



**Cr Marg Attley**  
President, VLGA