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8 September 2016

Ms Bronwyn Halfpenny
Member for Thomastown
Chair of the Environment, Natural Resources
and Regional Development Committee

Via email: enrrdc@parliament.vic.gov.au

Dear Ms Halfpenny,

Submission - The Parliamentary Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils.

I am pleased to present this submission on behalf of Surf Coast Shire Council.

The key themes and assertions of our submission include:

- The sustainability of rural and regional councils will be enhanced by other levels of government delivering the services and infrastructure they are responsible for.
- Regional and rural councils, especially those experiencing growth pressures, need partnerships with other levels of government and with each other to continue to meet the needs of our communities.

Our submission responds to the Inquiry's terms of reference as follows:

(a) local government funding and budgetary pressures

Cost and responsibility shifting from other levels of government to local government over many years has been a continuous source of funding and budgetary pressure. Examples where this cost shifting has occurred over time include funding for public libraries where the State's contribution to operational funding has dropped from 50% to 18%. Maternal Child Health, School Crossing Supervisors and Emergency Services are other examples where a reduction in State Government funding as a proportion of the costs of services has increased budgetary pressures on local government. The State Government needs to reinstate the previous proportionate levels of financial support to deliver these services and ensure local government remains sustainable.

Non-rate revenue opportunities are limited in rural and regional councils. Parking is usually a low source of income due to lower demand and a lower community tolerance for paid parking in rural and regional communities. Many coastal rural and regional councils do not have an opportunity to generate income from caravan parks and car parks on Crown Land managed by coastal committees. The role of coastal committees should be considered in the Marine and Coastal Act Consultation Paper process including how to create efficiencies and income generation for land managers in coastal areas.

Climate change and the resultant emergencies will impact regional and rural councils financially. This is especially the case for coastal councils that are likely to experience inundation due to rising sea levels over the coming decades. Local government needs to be involved in ongoing development of climate change policy and financial support will be needed for local government in the longer term to deal with climate change impacts.

Many regional and rural councils will continue to experience budgetary pressures due to population growth. This pressure is likely to increase as population growth is encouraged outside of metropolitan areas. Residents often move to rural and regional councils from cities and expect the same level of services and facilities. This expectation places further budgetary pressure on rural and regional councils. Meeting this increase in community expectation will place further pressure on council to deliver services and facility at an adequate standard. Achieving this in a rate capped environment presents a significant operational challenge for many years to come.

Resultant rate income from population growth lags behind the need for services and infrastructure associated with the growth. This needs to be considered and appropriately funded when the State and Federal Governments plan and implement policy related to population growth outside of metropolitan areas. A lack of adequate funding and proper planning increases the risk of social disadvantage in the regions.

Councils in high tourism destinations experience pressure on infrastructure and services from non-ratepayers during peak visitation periods. In Surf Coast's case, the population almost triples at peak times to a population of 85,500 but generates little in the way of direct income for Council to accommodate the rise in service demand. Year round visitation through Surf Coast Shire has increased by 22% over the past four years to a figure of 1,752,749. These visitors use Council infrastructure and services but do not contribute financially to fund services, asset maintenance or renewal. The impact of visitation on Surf Coast Shire services is evident in our 2015/16 customer service statistics showing call numbers swell to 5,800 in January which is a 17% increase compared to August.

For rural and regional councils in high tourism destinations, funding provision from other levels of government needs to take into account visitation levels not merely permanent population. Failure to do so places the burden of funding facility and service provision disproportionately onto ratepayers.

(b) fairness, equity and adequacy of rating systems;

There is fairness and equity in the current rating system. The current rules allow for the calculation and collection of rates based on property valuations, which is fair and equitable, and allows Council to affect the distribution of the rates burden using differential rates.

(c) impact of rate-capping policies;

Surf Coast Shire has adopted a positive and constructive approach to rate capping taking the view that the reform brings with it opportunities and challenges. Surf Coast Shire has recently implemented a Business Improvement program, Program Management Office, strategic financial management and is exploring shared services opportunities with partners. Council has set aside funds in this year's budget to plan for digital reform in our organisation to deliver services better and more efficiently.

There are, however, concerns about the long term effects of rate capping. Whilst the policy will drive efficiencies in the short-term, there will come a time for councils when choices must be made to reduce services or to forego investment in assets. An increase in the asset renewal gap is a real possibility. Efficiencies will be more difficult to find with the passage of time. These issues need careful consideration when rate capping policy is applied in future years to avoid the risk disadvantaging Victorians through service reduction and inferior asset provision.

It is vital that the State Government plays a key role in funding and supporting sector reform in areas such as shared services. Additionally, it is important that each State Government department is mindful of this period of reform in the local government sector as they often act independently of one another with consequences for different services within a community.

Surf Coast Shire, like other councils, is also reviewing its role in relation to the provision of services and assets that could be considered the responsibility of the State Government. Examples include financial support for emergency services such as the SES, surf life saving and marine rescue. In terms of assets, Council is considering its role as the committee of management for pieces of Crown Land, commonly housing clubs (e.g. bowling clubs, tennis clubs, golf clubs), to determine if these groups should have a more direct relationship with the Crown.

The State Government appears to have linked rate capping to inflation. Inflation indicators continue to trend down while a number of areas local government expense grow at higher rates (e.g. construction costs). A further tightening of the rate cap will exacerbate the issues raised above.

If an efficiency dividend is introduced through the Fair Go Rates System, the negative effect on regional and rural councils will be significant. Surf Coast Shire calls on the State Government not to introduce an efficiency dividend on top of a rate cap, instead recognising the rate cap itself will drive sector efficiency reforms.

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

The State Government can play an important role in engaging local government and state departments to better articulate the asset protection responsibilities in the case of floods. Rivers are the boundary between a number of rural and regional municipalities. Asset protection responsibilities between land managers (local governments, coastal committees and State Departments) can be unclear and this inhibits all parties in meeting their responsibilities. Climate change and risk of inundation is likely to compound this issue into the future.

Coastal committees of management are present in many rural and regional councils. Coastal committees add a layer of land management which often creates inefficiency. As mentioned previously, the future sustainability of coastal committees should be explored through the Marine and Coastal Management Consultation Paper to determine the most efficient land management model along the coast.

There needs to be flexibility to use capital grant income for asset renewal when flooding occurs. Some post flood grants prohibit asset improvement and grants do not allow for increased service level, flood mitigation or protection. These grant conditions need to be amended to ensure assets are not subject to the same damage in case of another flood.

Equal to flood management, the capacity for councils to meet planning, preparation and recovery for bushfires is a significant challenge. Councils play an important role in emergency relief and recovery often at significant cost. There is an additional long term financial and social cost for communities. If councils have responsibility for planning, relief and recovery for floods and bushfires, the appropriate support and long term funding needs to be in place to enable them to undertake this work.

(e) maintenance of local road and bridge networks; and

The cessation of Country Roads and Bridges funding in 2015 has limited rural and regional councils' ability to sustain a safe and satisfactory road network. We call on the State Government to restore this critical funding for rural and regional councils.

Population growth pressure and environmental changes will impact road and bridge maintenance. A large number of people moving to the regions will be from cities and will expect rural and regional councils to deliver roads like those in cities. Delivering on these expectations as climate change occurs will present major challenges for rural and regional councils.

Roads to Recovery funding has increased in recent years. These annual increases must continue. A freeze in this funding or a reduction will have major impacts on road networks in rural and regional councils. The State Government and local government advocate together to the Federal Government to continue the annual increases needed to sustain rural and regional road improvements.

Rural and regional councils often work hard to address maintenance and renewal of roads however there are examples of other road agencies not matching council service levels. Road maintenance with regard to drainage, vegetation management and road condition in some cases needs improvement.

Councils should be able to provide a greater level of input into the road upgrade prioritisation process. Local knowledge and understanding community views can add a great deal to the quantitative data which informs the prioritisation of road upgrades.

(f) weed and pest animal control;

The State Government recently provided more clarity regarding responsibilities in weed and pest animal control. This clarification resulted in a rise in weed and pest management costs from \$20,000 to \$220,000 for Surf Coast Shire. Council receives non recurrent State Government funding of \$20,000 each year. There is great uncertainty about whether rural and regional councils will sustainably manage weed and pest animals with these significant costs and funding shortfall.

There are inconsistent weed and pest animal approaches across municipal boundaries which undermine some councils' and the state's investment. It raises the question whether local government is best equipped to deal with this Australia-wide issue given neighbouring municipalities don't adopt the same approaches.

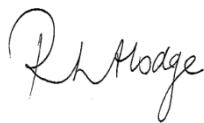
Other opportunities

There needs to be better coordination between land managers along the coast, something which is identified in the State Government's Marine and Coastal Act Consultation Paper. Council does not believe the proposals to simplify governance arrangements articulated in that consultation paper go far enough to provide improved outcomes for the coast and intend to address that in a separate submission to that process.

Now more than ever councils need to collaborate with each other and with State and Federal Governments. The State Government and peak local government bodies can play a lead role in achieving sector wide collaboration and reform in areas such as shared services, business enabling digital transformation and business efficiency initiatives.

Surf Coast Shire Council thanks you for the opportunity to have input into The Parliamentary Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils. If you have any enquiries concerning this submission please contact me on 5261 0517 or our CEO, Keith Baillie, on 5261 0602.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Hodge'.

Cr Rose Hodge
Mayor