

24 June 2024



Yarriambiack
SHIRE COUNCIL

**Legislative Council Economy and Infrastructure Committee
Inquiry into Local Government Funding and Services
Parliament House, Spring Street
East Melbourne Vic 3002**

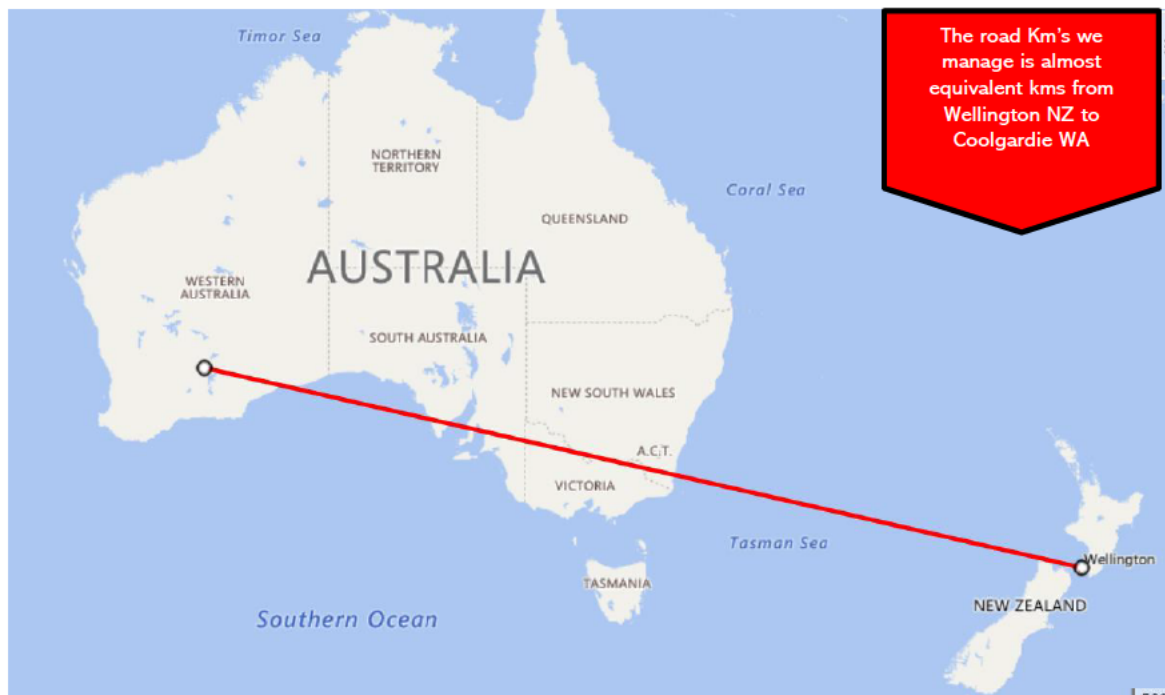
Dear Committee Secretary

Re: Inquiry into Local Government Sustainability

Yarriambiack Shire Council welcomes the State Government's Inquiry into Local Government Funding and Services and being provided with an opportunity to address the areas of particular focus as outlined in the Terms of Reference.

1. About Yarriambiack Shire Council (YSC)

We cover an area of 7,158 square kilometres with an approximate population of 6,556 people (2021 ABS Census), and we maintain 4,824kms of roads. To assist with fulfilling our obligations we have 124 full time equivalent staff.



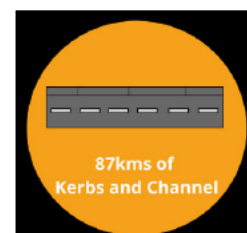
We have 14 townships, 59kms of footpaths and 87kms of kerb and channel which we maintain and manage.



14
Townships



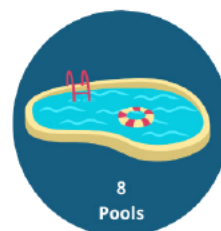
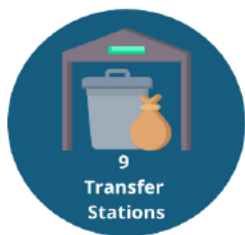
59km of
Footpaths



87kms of
Kerbs and Channel



We operate 9 transfer stations, have 15 halls and community centres, 12 recreation reserves, 8 pools and 26 playgrounds, which we either directly own and/or financially support.



In addition, we operate a sale yard facility (livestock exchange), library, mobile libraries and engagement service, 7 kindergartens and maternal child health services, [redacted] delivering the standard local government services (parks, gardens, [redacted] environmental health, building, planning, operations etc).

2. Local Governments Revenue Structure, as well as Whether these Structures are Sustainable and Appropriate

YSC is heavily reliant on grant funding, with it representing 42% of Council's revenue going into the 24/25 Financial Year (FY).

The Rural Council's Victoria inquiry into alternative revenue sources identified that rural Councils, such as YSC, have limited opportunities to raise funds outside of rates and charges, and grant funding. User fees, fines, and community contributions towards grant funding make up 5% of YSC's total revenue in the 24/25 FY.

Whilst a State Government mandate, rate capping has posed a significant burden on YSC. The rate cap varies each year, so it is difficult to plan ahead, especially when entering Enterprise Agreement negotiations. The rate cap is also not reflective of CPI inflation, which was 3.6% as at 31 March 2024, which places pressure on YSC to find cost savings in already fiscally constrained service areas. For instance, when YSC entered into Enterprise Agreement negotiations in mid-2023, we did not pre-empt that the rate cap would be reduced from 3.5% to 2.75% in a twelve-month period. Especially when CPI was being reported at 4.1% for the December 2023 quarter. Our agreement negotiations have been based on a 3% increase annually, over the next three years, being less than the 24/25 rate cap. In addition, we also have the Superannuation Guarantee increase of 0.5% in the 24/25 FY, and Workcover premium rises. This places further financial pressure on the financial sustainability of our Council.

As at 31 March 2024, YSC had \$1.19 million in rates arrears, relating to prior years, and \$1.661 million still outstanding of rates to be collected relating to the current financial year. Collectively, there was \$2.858 million outstanding / to be collected. Council only raised \$14,817,633 in rates and charges in 2023/24 and had an outstanding rates arrears balance (current and prior) of 19% at 31 March 2024. It is estimated that we will land around 8% in outstanding rates and charges as at 30 June 2024, which is considered higher than the 4% average for Victorian Councils.



Whilst Yarriambiack Shire has a higher-than-average rates arrears balance, we actively pursue this through debt collection, and where we can, sell properties via the Section 181 Act provisions within the *Local Government Act 1989*. This process is resource intensive, costly and time consuming. It can be argued that we can reclaim the costs back on the sale of the property, however, YSC must outlay the costs upfront in the first instance to commence the process. This places pressure on our cashflow, and the number of properties we can pursue at any one time.

In addition, YSC collects the Fire Services Levy on behalf of the Victorian State Government, which also adds to the outstanding debt that YSC carries, and with the recent changes to the Local Government Act it has made it considerably harder for YSC to recover outstanding rates and charges, further compounding our debt collection and rates arrears matters.

The 2021 SEIFA (Socio-Economic Indexes for Areas) data reveals a stark reality for the Yarriambiack region in Victoria. With a SEIFA Index for Disadvantage of 946, Yarriambiack finds itself ranked 72 out of 81 local government areas in the state. These numbers paint a picture of economic hardship and vulnerability within the community.

When we consider this in relation to rates arrears, in YSC, where disadvantage looms large, these arrears become more than just numbers on a ledger. They represent missed opportunities for community development, infrastructure improvements, and essential services. When residents' capacity to pay is limited, YSC faces challenges in providing public amenities, supporting education, and fostering economic growth and development.

Solution:

The Revenue structure in its current form is not sustainable or appropriate for rural Councils.

- The rating systems requires significant structural reform, and the model proposed by former Members of Parliament Ali Cupper and Fiona Patten should be further explored and considered to fix the rural-metro rates disparity.
- Ongoing, untied funding commitment for rural Shires, to address roads, footpaths and community assets, without having to undertake the onerous, resource intensive and expensive task of continuously applying for grant funding.
- The onerous reporting requirements tied to grant funding is a burden on rural Council's. Councils are an arm of Government, and should be a trusted partner to deliver projects, and manage funds. A solution is to require a variation to be submitted if the project completion date is to be extended, and the projects financials be audited at completion, against the Funding Agreement. If Councils fail to meet the requirements, they are disqualified from applying for funding within a specified timeframe. This would provide an incentive for Councils to ensure they meet timelines and would also free up resources at both a Local and State Government Officer level.

3. Cost Shifting from State and Federal Governments to Local Council (and Community)

Employee Costs and Cost Shifting of Services

Council's Employee costs sit at 45% of its expenditure in 24/25 FY, with YSC offering supplementary services in addition to the standard roads, rates and rubbish to meet community expectations and needs. The additional services offered, such as livestock exchange, maternal child health, early years and libraries come at a cost to Local Government and the communities, with the shortfall between funding (either grants or



user fees) and operating costs being either recouped from rates revenue and/or the financial assistance grant funding, which in turn results in less funding for areas that require the greatest attention, such as roads, footpaths and associated infrastructure.

YSC provides maternal child health and kindergarten services, which requires YSC to navigate the evolving requirements of State Government funding and policy shifts. Agility, adaptation, and investment in understanding the service delivery landscape are essential. The expansion of maternal child health services (enhanced services) and increased kindergarten hours are indeed positive steps, however, YSC is confronted with the considerable challenge of recruiting and retaining staff in a sector marked by skill shortages and high demand. The ongoing cycle of staff turnover and the scarcity of qualified early childhood professionals demand substantial financial and resource commitments.

Volunteers

Volunteers are a large fabric of our rural community. Without volunteers we would be unable to operate and/or support our halls, recreation reserves and swimming pools across our Shire. YSC has a high rate of volunteerism, with 28.7% of the residents undertaking voluntary work through an organisation or group in the last 12 months. Significantly, higher than the Victorian state average of 13.3%.

According to the 2021 Census, the population in the Shire had a significantly higher proportion of adults aged 60 to 85 years old (38.3%) [REDACTED] the Victorian state [REDACTED] (4%).

[REDACTED] COVID pandemic, and with an ageing population, we are experiencing a decline in volunteerism, which in turn has seen a shift in community expectations and higher demands on YSC. We are facing the very real possibility, due to funding constraints on not being able to meet the service level demands. Whilst Council can reduce its service levels, the question is posed, why should rural communities be disadvantaged and receive less services to that of their regional and metropolitan counterparts?

State Government Owned Assets

Our volunteers across our communities operate State Government owned recreation reserves, swimming pools and halls. They fundraise to upgrade and renew State Government assets. An example of the level of funding required for upgrades is Warracknabeal ANZAC Park, which requires an \$18.2 million dollar investment to upgrade the swimming pool, multiple-changerooms, netball and tennis courts and the community centre. The community will be required to fundraise for the co-contribution to secure funding for the works. Rural communities are already at a disadvantage (higher rates, less services, SEIFA score), without the additional burden of financially supporting upgrades to their State-owned community assets.

Moreover, we're facing a shift in costs from the Department of Energy, Environment and Climate Action (DEECA), as trees located on their property present a danger to the public. Consequently, the Council is required to carry out inspections of high-risk trees and address the hazards because DEECA has stated they lack the financial resources for these tasks.

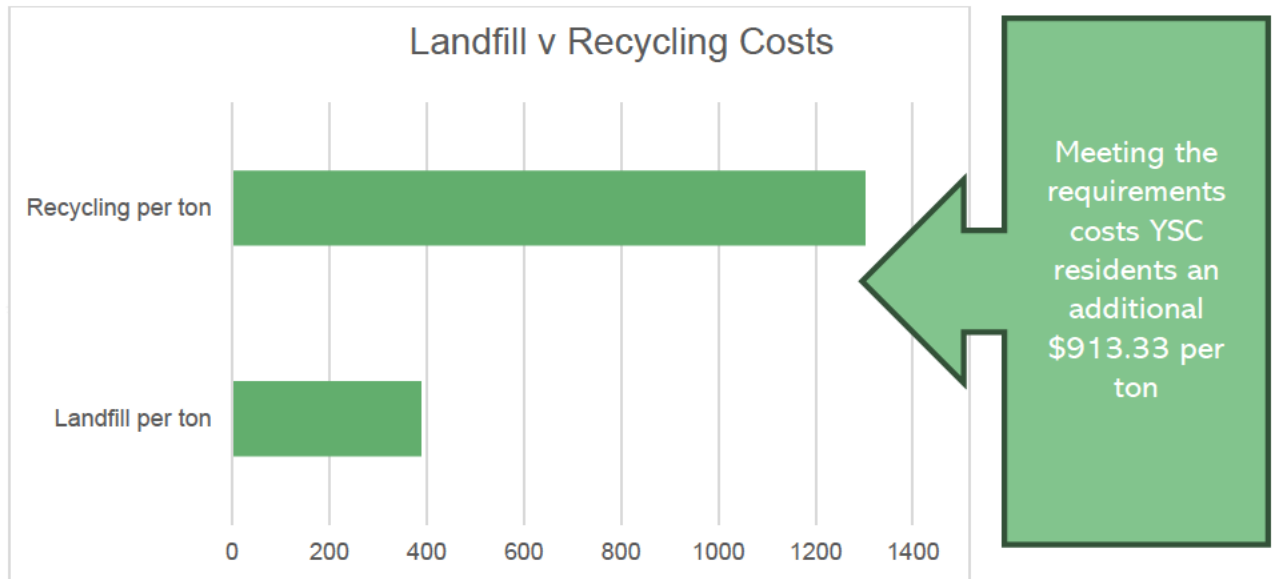
Waste and Recycling on Rural Councils

In the context of our community, the budget for the 2024-2025 fiscal year indicates that waste and recycling will cost a staggering \$2.1 million. However, achieving full cost recovery would require YSC to raise waste charges by 22% during that year. Such an increase would undoubtedly burden our communities significantly.



Currently, the YSC draft budget, which is open for community consultation, proposes a more moderate 10% increase. Over the next three years, YSC aims to gradually reach full cost recovery. This approach means that in the 2024-2025 fiscal year, YSC will need to allocate an additional \$200,000 thousand towards waste and recycling costs. Unfortunately, this allocation comes at the expense of investments in essential infrastructure like roads and footpaths, which have a substantial positive impact in our rural setting.

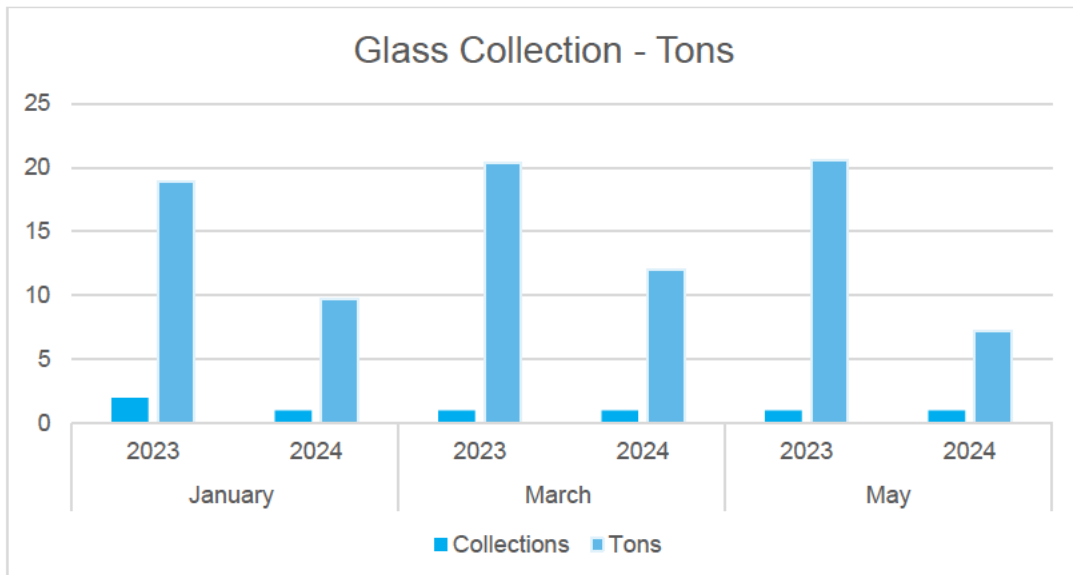
Furthermore, the cost breakdown is eye-opening. Presently, it costs YSC \$389.39 per ton to send waste to landfill. In stark contrast, disposing of recycling sets us back a whopping \$1,302.72 per ton—more than three times the cost of landfill disposal. These expenses directly affect our ratepayers, who bear the financial burden through their waste charges.



Effective waste management and recycling cost control necessitate strategic planning to balance environmental stewardship with community cost-effectiveness. The Container Deposit Scheme (CDS) and Glass Bin initiative have disadvantaged the YSC community.

The State Government's mandate for Local Governments to adopt glass bins, despite funding support, failed to consider the CDS's impact on local glass and recycling collection or the environmental effects of kerbside collection in large areas like YSC's 7,500 square kilometres. Since the CDS's inception, glass collection rates have dropped significantly. Rural Councils need better planning and consultation to ensure future strategies are cost-effective, reduce emissions, and benefit the community.

Currently, residents pay for an unwanted glass bin service, with low collection and presentation rates. The glass bin truck's emissions, covering the vast shire, and the Tomra Cleanaway truck's bi-weekly visits to Murtoa, Warracknabeal, and Hopetoun, raise environmental concerns that warrant scrutiny and challenge.



In addition to the glass bins, it's necessary to initiate a collection service for food and organics. However, community input suggests that this might be redundant or unwanted due to existing household composting practices and alternatives such as chickens.

[REDACTED], the expense associated with the process [REDACTED] (Food Organics [REDACTED]) remains uncertain, given that the [REDACTED] capable of handling [REDACTED] is located in Ararat, which is a considerable distance away and under development.

Solutions:

- Grant Funding opportunities with no co-contribution required where it is a State Government Asset, operated by a Committee of Management. Council's and Communities should not be required to raise funds, as a co-contribution, to maintain, renew and upgrade state owned assets. When rural Councils redirect their revenue to assist with co-contributions to upgrade state owned assets, they reduce the funding allocation towards much needed roads, footpaths and the upgrade and renewal of Council owned assets.
- Councils should not be delivering services that are health related, such as Maternal Child Health Services, especially in a rural setting. Rural Communities have well equipped localised health services, with supporting enterprise agreements and allied health professionals, that can apply a holistic approach to health care across the Shire and / or region.
- Greater emphasis and funding should be provided for Not for Profit – regionally based Early Years Services to deliver integrated, Kindergarten and Childcare services in rural communities. Providing a regional based solution, opposed to funding isolated services will achieve greater learning and development outcomes for our youngest residents in rural communities.
- With the introduction of the CDS we have seen our glass collection numbers dwindle. Glass and recycling collections should be revised across local government, with the CDS system to be expanded and supported, and to be the main collection centre for glass and recycling.
- Empower Local Government to adopt appropriate Food and Organic Waste solutions tailored to their community needs while being mindful of environmental consequences.



4. Ability of Local Governments to Meet Core Service Delivery Objectives

Compliance Obligations

The compliance and reporting obligations on YSC has significantly increased and has placed an additional strain on our overstretched workforce. An example is the *Gender Equality Act 2020* requirements for Council to implement a Gender Equality Action Plan, and reporting requirements. Whilst this is an extremely important topic and has strong support from Councillors and Management to be implemented, it is resource intensive, and is not a funded activity. When government imposes new and/or onerous legislative requirements on Local Government, they fail to understand the flow on effects. Which generally results in reduced services to meet the legislative demands (cut back on staffing in front facing roles), or on the flip side, non-compliance to governance and legislative compliance, which increases the reputational risk for Council, Councillors and Officers.

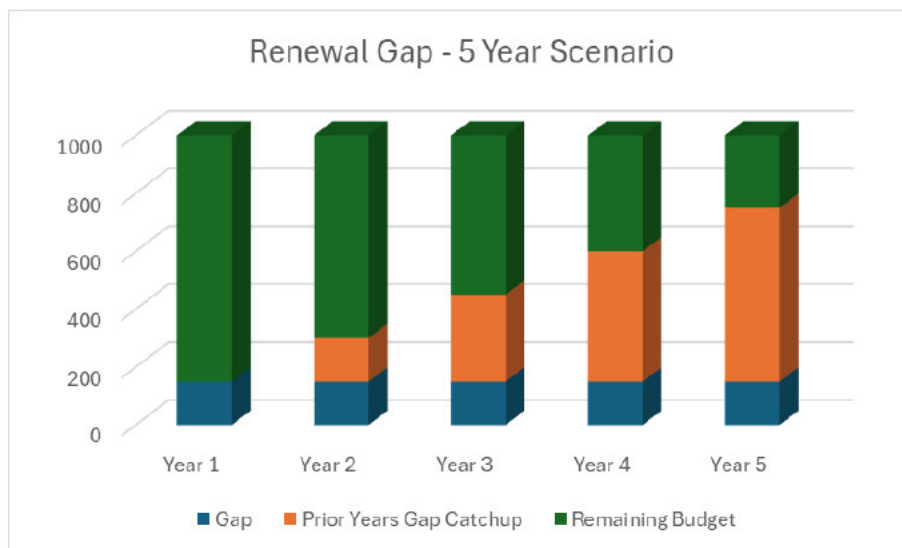
Government Reporting – Funding Agreements

The service delivery obligations in relation to funding and reporting is posing a significant burden on resourcing within YSC. As noted above, we are heavily reliant on grant funding. This comes at a cost to Council, with the onerous reporting requirements imposed on us. The progress reporting, and acquittal process between [redacted] and to a lesser extent, Commonwealth is [redacted] and resource [redacted] due to the frequency of reporting, and the level of detail often required.

Example: Regional Tourism Infrastructure Funding for \$1.2million. Eleven extensive reporting requirements tied to the project. All requiring the submission of statutory declarations, and progress reports at each stage. It is estimated the additional time allocated to reporting for this project alone, would equate to at least 72 hours.

Renewal Gap

Our Asset Management Plan 2022-2032 identifies the difference between the actual amount YSC spends on asset renewal and the amount needed to ensure that assets are maintained according to the agreed service levels. Based on the actual annual renewal expenditure versus average annual demand in 2020/21, we can see that the renewal gap varies between the different asset classes, however on average we can only deliver on 85% of the asset renewal demand. Therefore, this gap continues to compound and grow, as assets age and condition deteriorates, and YSC is not funded to match the renewal demand.



Example: Over a five-year period, the 15% unfunded gap compounds, and the renewal gap widens.



Procurement and Cost of Services

Since the declaration of the COVID pandemic, we have experienced a significant shortage of available contractors and consultants submitting quotations and/or tenders for our projects. In addition to the shortage, we have experienced significant cost escalations, requiring YSC to continuously descope and downsize projects.

Since 2019/20 we have seen a sharp rise in the unit rates in our road and associated infrastructure construction due to rising cost of materials, labour and contractor costs, which is not being matched by the increase in funding and revenue generated by rates and charges. Below is a snapshot of the percentage increase in 5 years.

Job Type	2019/20	2024/25	% Increase
Road Rehabilitations	\$18/m2	\$30/m2	40%
Gravel Resheets	\$4.80/m2	\$9.40/m2	49%
Reseals	\$5.5/m2	\$10/m2	45%
Footpaths	\$37/m2	\$200/m2	81%
Kerbing (with pavement)	\$300/m	\$520/m	42%

Farming and Machinery Changes

As agricultural enterprises continue to scale up and the size of farming machinery steadily increases, the demand on our road network is increasing. It is observed that dimensions are escalating by 2-3% annual. Current permissible agricultural equipment stands at 6.5m, necessitating a travel path of at least 7m in width. Additionally, the frequency of truck movements has surged, with trucks (b-double and road trains) transporting grain and hay throughout the year on our roads. The constraints of narrow road seals and roadside vegetation pose challenges for our farmers' access. Given that agricultural land is deemed our "largest industrial complex," unobstructed access should be on par with that of industrial zones in urban settings. Yet, YSC is faced with a funding shortfall to broaden and maintain our road network to satisfy our service standards (as outlined in the Road Management Plan and Road Hierarchy) and to accommodate the expanding needs of our agricultural community.

Over the last 30 years, another shift that has happened is the shutting down of local grain silos in locations such as Yaapeet, Rosebery, Brim and Sheephills, which forces farmers to travel to regional sites, leading to bigger trucks and more traffic on our roads. There has also been a drop in grain transport by rail, and an increase in the hay industry, and our local sealed road network is approaching its end of life, with most of it constructed in the 1960's and 70's. This contributes to the financial difficulties of the Council and the need to tackle asset maintenance, upgrades and renewals.

Disaster Recovery Funding Arrangement

The YSC region has experienced a history of natural disaster, with:

- Drought (2000 – 2010)
- Floods (2011)
- Rain Event Damage and High Creek Flow (2016)
- Drought (2017-2019)
- Significant Rain Event Damage and High Creek Flow (2022)

The increased compliance and reporting imposed on local government in relation to pre-approval, reporting and acquitting DRFA claims, poses a significant burden on YSC and rural Councils in general. To meet the DRFA requirements, YSC needs to have imagery to support the pre and post event. The level of detail required is cumbersome and has become significantly more onerous over the years. It also becomes a barrier



to weighing up if a claim is submitted, or if it is absorbed internally, taking away resources that would otherwise be diverted to the gap in renewals and upgrades. As climate change takes hold, we are experiencing an increase in natural disasters, and a greater expectation and pressure on Councils to respond.

In addition, the 2022 significant rain event was problematic, with the Victorian State Government offering \$500,000 to Council's impacted, with the initial offer being communicated as being a payment to assist with responding to the significant rain event, flooding and clean up. As time went on, the goal posts changed, and the funding became tied to the DRFA reporting requirements. Which has now placed extensive pressure on our limited workforce to respond, report and acquit the funding. Our Council now faces the very real possibility of having to repay half of the funding, due to the burdensome reporting requirements. Yet, it was undeniable, that our Shire experienced a significant rain event, and Emergency Management processes were implemented to respond.

Attracting and Retaining Staff

YSC and the Health Service are the largest employers within our Shire. Our salaries need to be competitive to attract and retain staff. This can pose challenges, when we are dealing with rate capping, insecure funding with a heavy reliance on grants. We also need to be able to provide job security. People generally do not move to rural areas without a guarantee of permanent employment. [REDACTED] funding are often [REDACTED] which greatly reduces our ability to attract and [REDACTED] staff, especially with the [REDACTED] required. Further compounding our attraction and retention is the limited availability of housing and childcare within our Shire, which is a barrier to diversifying our workforce, and enticing highly skilled professionals to apply.

We also recognise that rural Councils are often a training ground for future leaders, with the depth of experience being limited due to the challenges faced with the costs associated with retaining more senior and qualified staff within the workforce.

Mining and Renewable Energy

Our region is on the cusp of a mining and renewable energy boom. Whilst it can be an economic stimulus for our region, it will also place increased pressure on our roads and associated infrastructure, and the housing stock within our small communities.

Renewable Energy

Our Council has three renewable energy projects requiring extensive time and resources to engage, consult and be involved in technical reference groups and the environmental effects statement process (refer to Council's website for information about the three projects - [Home - Yarriambiack Shire Council](#)).

When we consider financial sustainability, renewable energy projects can benefit rural Councils, but they also have a price. Payment in Lieu of Rates (PiLOR) may seem very attractive when considering the financial benefits, but the long process of planning, community tension, and Council resources required to deal with discussions, proposals, and unhappy and alienated communities is exhausting for our already strained workforce.

Currently, wind and solar farms pay a lesser value, opposed to the capital improved value (CIV), which is recognised as PiLOR. YSC uses the CIV to calculate landowner rates. This is simply the value of the land, building and any other improvements, multiplied by a differential dollar rate. The rate changes depending on how the land and any improvements are used. If wind and solar farms were required to pay the full CIV rates, like any other business within our Shire, council revenue would be approximately three times what it is currently receiving from PiLOR. Whilst our



communities accommodate the infrastructure required to power our State and nation, we are shortchanged on the financial benefits.

Solution:

- As identified in section 2 solutions would address grant and funding barriers outlined in this section.
- Provide Planning resources to Council's that are to be hosts to renewable and energy transmission projects, to assist with the Technical Reference Group and Environmental Effects Statement requirements.

5. Closing

In conclusion, YSC has many difficulties in keeping financial viability and providing vital services to our community. These difficulties involve high dependence on grant funding, rate capping, growing compliance requirements, and the need to recruit and keep a qualified workforce. We are grateful for the chance to join the Inquiry into Local Government Sustainability and want to express our willingness to be part of developing the solution to address the rural challenges. I hope that our submission will help to find solutions to the problems faced by rural councils. We appreciate your consideration of our submission.

Kind Regards



Cr Kylie Zanker
Mayor



Tammy Smith
Chief Executive Officer