(Tony)

Hi my name is Tony Marwood, and I am Deputy Mayor at Campaspe Shire Council. I am joined today by Matthew McPherson, Council's Director Corporate. I want to thank you for the opportunity for Campaspe Shire Council to present to this inquiry and acknowledge and pay our respects to the traditional owners of the land on which we meet.

We would like to highlight some key issues from our responses to the questions that the inquiry has raised.

You asked us about the overall revenue structure and whether the existing revenue structure is sustainable. Our answer is no!

For financial year 2024-25, Council has adopted a $101Million revenue budget.

- 51% of the revenue comes from rates levied on our constituents which is limited by rate capping
- 27% comes from grants from State and Federal Government, the value of which are beyond Council's control
- 19% comes from Fees and Charges for services we provide, and
- 4% comes largely from forecast interest on the investment of our cash reserves and working capital.

Campaspe is fortunate amongst rural and regional councils to currently have cash reserves to draw upon that can be invested to earn a small income.

(Matt)

In terms of expenditure Council has a $99.7Million operational budget:

- 39% is budgeted for materials and services to support service delivery
- 38% is for staffing to operate and deliver those services
- 23% is due to depreciation of our assets which is a guide to how we fund our capital works program, renewing those assets that are needed by our community to ensure that they are fit for purpose for service delivery

Council's 2024/25 budgeted operating result suggests a small surplus for Council. However, the true picture is seen in the underlying result, which strips out non-recurrent grants and any infrastructure assets contributed from developers (which themselves add to future operational and depreciation costs). This underlying result is budgeted at an $8.6 Million deficit, with smaller yet significant deficits into the future. This is not a sustainable position for Council to be in, and one which needs to change.

(Tony)

78% of Council's revenue comes from the combination of Rates and Grant Funding.

- Rates are limited to mandated rate capped increases that often fall below the cost of inputs to our services and projects.
  - The annualised December 2023 CPI figure was 4.1%
  - This fell to 3.6% in the March quarter and then rose to 3.8% at June 2024.
  - All of those results were higher than the Victorian Government set rate cap at 3.5% for the 2023/24 financial year.

  - The rate cap for 2024/25 was set at 2.75% This is nowhere near matching current CPI and is not sustainable.

We wonder why the State Government does not understand how this level of rate capping is crippling for Local Government.

(Matt)

- Notwithstanding that the differences between the rate cap level and the actual CPI figures leave Council short, CPI is not the best measure to represent Council's input costs. CPI might match a mixed basket of goods including groceries, but it does not include the high cost of bitumen for roads and the increasing cost of attracting both staff and contractors in rural areas. We urge the State Government to find a better way to address this disconnect.

- Rate capping doesn't consider community's expectations around the need for services to improve or grow into the future. Councils are, and will be, forced to choose between which services they can offer, and which are no longer affordable whilst also delaying spending on capital programs which leads to further deterioration of critical assets and services – creating a greater issue for future generations. Funding new ideas is becoming too difficult, with no room to move left in budgets. Funding anything new requires council staff to identify other service areas to cut – this becomes a situation where to make things better in one area, we will end up making things worse somewhere else.

- In times of rising cost of living and increased hardship, the capacity of our constituents to meet costs also diminishes. This means that more than ever our community relies on Council to deliver good roads, health promoting open spaces, and leisure facilities to support their wellbeing and liveability. If rate capping continues below inflation, sadly Council will be unable to continue to provide these much-needed services and infrastructure.

Councils are seeing rising operational costs including:

- increased cyber security requirements to protect our systems and customer data
- the imperative to respond to climate change and environmental requirements
- changes in funding models between Government and councils (i.e. Maternal and Child services funding)
- not applying appropriate indexing to re-current funding (i.e. library services and school crossings).

As the 2022 report by Rural Councils Victoria, titled 'Alternative Sources of Income for Local Government' identified, there are not a lot of opportunities for Councils to generate 'own source' income to reduce our reliance on rates and grant income. We believe that where a council has strong cash reserves, it should be able to invest as it deems appropriate rather than be limited to cash and fixed interest style investments.

We will continue to look for new revenue opportunities, but in the interim we will need to rely on our cash reserves to continue to provide services and facilities to our community. We project Campaspe's cash reserves will reduce by $27.7 Million between June 30 2023 and June 30 2025 with over $12 Million of that being Council's own source funds.

(Tony)

All of this means we are continually seeking to do the better with less, fighting a losing battle with rising costs and constrained revenue. Of course, Council is working on becoming financially sustainable, and we welcome this inquiry into Local Government Funding and Service Delivery.

Grant funding – cross border consideration

Campaspe Shire Council is also a border council servicing the cross-border communities of Echuca (Victoria) and Moama (New South Wales). Most of the key services such as schools, health and medical fall within Campaspe Shire and the geographic and administrative split can lead to inefficiencies, creating additional burden on Council roads and infrastructure. A consistent approach to rate capping and funding allocation for councils needs to be conducted through a regional cross border lens with flexibility around State grants.

Grants

While talking about grants, I am sure you will hear from other submissions that the reduction in Financial Assistance Grants from around 1% of Commonwealth Taxation Revenue in 1996 to around 0.5% today, coupled with the compounded effect of freezing of their indexation from 2014 to 2017, has been a massive pain point for regional and rural councils. Campaspe urges the inquiry to strongly advocate for an increase in Federal Financial Assistance Grants.

Grant funding streams are beyond Council's control but without them we would not be able to operate. Recurrent grants are sometimes not indexed to inflation and so more cost is borne by Council each year.

(Matt)

Consistency of timing of payments for Financial Assistance Grants is also a significant issue. Council received its 23/24 Financial Assistance Grants several days after the end of the 2023/24 financial year. Funds were paid by the Federal Government to the states with enough time that our neighbouring council over the border in NSW was able to receive, and will report, their grant funding in the 23/24 financial year. Victorian councils on the other hand were made to wait to receive their allocated funds. One has to wonder why.

While we have now received the funds, those few days delay make a world of difference to our end of year financial result. After spending the year reporting to our community that we were working towards an improved position with respect to our deficit budget, we now find ourselves needing to report a full year result that will be missing $14 million of expected grant revenue. This chopping and changing in recent years about when Financial Assistance Grants are paid leads to an erosion of confidence in the administration by Council, and in Council by our community – something that can and should be avoided.

Campaspe greatly appreciates the recent increase to the Federal Government's Roads to Recovery program funding. This is an excellent program, particularly as funding is provided directly to Council, and we are trusted to administer and allocate it where it can be of greatest benefit. The acquittal process is not onerous and without this program our road networks would fall apart. We request that the State advocate for the Federal Government to continue this worthwhile funding stream to provide safer roads for our communities and considers its light touch administration approach for other funding streams.

Emergency Grant Funding (DRFA)

(Tony)

Nearly 2 years on, Campaspe Shire is still struggling with the impact of the devastating October 2022 floods. Our community's level of anxiety, particularly in hardest hit Rochester, continues to be heightened each time it rains due to the lack of betterment or flood mitigation works. Council is about 50% of the way through reinstating our own infrastructure assets from this event, while our community are continuing to navigate their personal journeys to recovery. The floods impacted nearly 61km of sealed local roads and over 540km of unsealed roads across Campaspe Shire. With only $1M of grant funding provided towards betterment of our infrastructure post disaster, this has done little to allay the fear of our residents.

One of our sealed roads, Bangerang Road east of Echuca, was severely damaged by the floods. The cost to repair it is estimated at $1.9 Million. Council continues go back and forth negotiating DRFA funding for this road which currently only has approval for 40% of the cost of reinstatement. This is partly because of the evidentiary requirements required to be submitted to justify that it was flood damaged, and partly because it requires what is considered 'betterment' (including mandatory safety changes such as guard rails and tree removals) when really this is just reinstating the asset to meet the legal requirement of current day specifications. While we negotiate, our community continue to live with substandard roads and a constant reminder of the traumatic flood event. We note that in its most recent Enterprise Agreement, the State is willing to fund $300M in bonuses to its employees as a cost of living supplement, but they want to fight us every step of the way on funding reinstatement of our flood damaged roads.

When it comes to emergency funding, unlike Roads to Recovery, there is too much red tape and lack of clarity – where is the trust in Local Government? We call upon the State to acknowledge that we are tier of government who should be trusted to deliver recovery on behalf of our community without the need to justify and verify every item of expenditure. There would be significant cost in overseeing the exacting DRFA claims submission and assessment process. Give us the money and let us get on with it!

Councils routinely deliver multi-million dollar capital works programs, and should be trusted to identify and scope works and to directly manage recovery funding to reinstate existing assets.

Infrastructure Management

(Matt)

There is generally an expectation in our community that, when our assets reach the end of their useful service life, we will replace them with modern equivalent assets. We also have community groups coming to Council to fill the gap for services and infrastructure that are no longer being funded through other means. We have collaborated with our community to identify opportunities to rationalise assets and to work towards multi-use over single use facilities, however, in some cases, we are needing to replace assets that Council would never have been able to afford without government funding in the first place. A prime example of these is the swimming pools we have across the Shire.

Council also manages state owned land and facilities, and the community does not differentiate between what are council owned assets and what we manage on the State's behalf. Further, community groups manage similar assets directly with no involvement from Council. It has become clear that our community expect that Council should fund ALL community facilities, regardless of our management role, to renew and upgrade them at the same level. That we might fund some and not others, based on an arbitrary historical decision around management and control, creates division in our communities and angst towards Council who can barely afford to maintain our own assets. This anomaly needs to be addressed, and we ask the State to provide the funds to maintain and renew these assets.

Grants tend to become available for shovel ready projects, but Councils don't have the resources to have a lot of projects sitting on the shelf waiting to be funded. We are already trying to stretch our funds to deliver what is needed now. We applaud the recent grant round that allowed submissions for funding for feasibility, scoping and design, and we would like to see more of this in future in grant funding streams which would assist councils to deliver better grant funded project outcomes.

Other issues

(Tony)

Other issues covered off in our response include our difficulties with attracting skilled workers to our location and our industry due to some of the reasons above, as well as other factors, such as our ability to offer competitive remuneration packages against other industries, accommodation shortages, and needing to change our workforce to incorporate new ways of working (such as embracing and integrating workers who do not live in or near our shire and who may not have a connection with our local community).

It would be remiss of us not to mention the complexity of people's needs, particularly in our community services area, and the impact of post-pandemic behavioural change. Council needs to keep adapting and growing its services to deal with community demand and changing demographics and social norms. This includes ensuring equitable and inclusive access and community facilities and projects with changes such as female change rooms at sports facilities, prayer rooms, translation services and more.

We also need to keep our staff and clientele safe when dealing with an increasingly complex community with domestic violence, substance misuse and mental health issues. This is coupled with needing to meet the cost of increased service demands from our changing demographics due to our increasing reliance on skilled migration workers, the attraction of city dwellers to regional areas due to lower regional housing prices and an increase in migration from metropolitan centres post pandemic putting greater strain on our existing assets and services.

Close

(Tony) We are most appreciative of your time and your focus on Local Government Sustainability. You will have seen more information in our submission and there are lots of similar issues put forward by our fellow councils. In summary, we are very concerned that the community will see, just like what is occurring in the UK, that without a significant improvement in the funding approach to Local Government and its ability to raise revenue, there will be drastic cuts to service provision which will impact all of our communities. If, and when, Councils go broke, the State will be the ones who will need to step in to meet the demands of an unhappy community. Do we really need to wait for that to happen before something changes?

Thank-you.