



13 May 2024

Georgie Purcell
Chair - Legislative Council Economy and Infrastructure Committee
eic.council@parliament.vic.gov.au

Dear Ms Purcell,

RE: Inquiry into Local Government funding and services

I write on behalf of the members of FinPro, the peak body for local government finance professionals in Victoria, with over 650 members, representing all Victorian Councils.

FinPro is pleased that the Committee is investigating local government funding and service delivery in Victoria. FinPro is preparing a submission for the Committee but wanted to bring your attention to a recent survey undertaken of our members.

There are increasing financial pressures being felt by all levels of government, business and community members. The Victorian Local Government sector is experiencing financial challenges that will ultimately result in the reduction of services and infrastructure investment for Victorian Communities. Many of these services are taken for granted, and include – amongst many others - libraries, local roads, maternal child health nurses, planning, parks and playgrounds.

FinPro undertook a survey of its members in January 2024 after the most recent rate cap announcement in December 2023. 55 Councils (70% of councils) completed the survey, with representation across all Council types. The response was extremely pleasing given that the survey was only open for one week and was distributed during the January holiday period.

We asked Councils to detail how they would describe the current financial pressures facing their Council, with comments such as 'extreme', 'significant' and 'immense' being common.

A number of themes emerged from the responses:



- **Financial Sustainability Strategy:** Many councils are grappling with financial challenges and developing strategies to improve long-term financial sustainability.
- **Financial Pressure and Deficits:** Many councils face significant financial pressure, with underlying deficits in their Long-Term Financial Plans (LTFP). The rate cap, often below inflation, contributes to these challenges.
- **Service Provision Challenges:** The ability to maintain current service levels is difficult due to the gap between revenue and escalating costs. Councils are considering how to reduce services or levels of service, which will ultimately have impacts on the community.
- **Rate Cap Impact:** The rate cap at 2.75% is insufficient to cover increasing costs in various areas, including labor costs, construction, insurance, and service delivery. This puts pressure on councils to limit capital expenditure, defer projects, and reduce services.
- **Population Growth Challenges:** Growing councils face the challenge of providing infrastructure and services for rapidly increasing populations. This requires careful planning and poses additional financial strain.
- **Cost Escalations:** Councils across the board are grappling with cost escalations well above income increases, placing additional strain on budgets and resources.
- **Revenue and Funding Issues:** Dependence on rates for revenue, coupled with limitations on discretionary income sources creates financial instability. External funding doesn't always match increasing costs, adding to the strain.
- **Impact of External Factors:** External factors like natural disasters, legislative changes, and global events such as COVID-19 contribute to financial stress, affecting cash flow, operational expenses, and service delivery.
- **Workforce and Employment Pressures:** Employment-related costs, including Enterprise Agreement pressures and staffing challenges, contribute to financial strain. Some councils report difficulties in securing resources.
- **Infrastructure and Asset Renewal Challenges:** Councils are grappling with the need for extensive capital works programs, renewal targets, and new asset demands. The ability to fund these projects is impacted by the rate cap and other financial constraints. The costs for maintenance and upgrades are soaring well above income increases.
- **Climate Change and Environmental Impact:** Costs associated with mitigating climate change, environmental impacts, and extreme weather events contribute to financial pressure. This includes environmental protection and sustainability efforts.

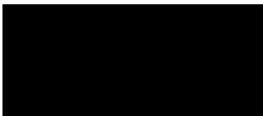


- **Legislative Changes and Cost Shifting:** Legislative changes, cost shifting from higher levels of government, and evolving reporting obligations add complexity to financial management. As well as compliance changes, such as consultation costs required of the new Act or other regulatory items, such as OVIC requirements.
- **Ongoing Challenges and Uncertainties:** Councils express ongoing challenges, uncertainties, and the need for constant adaptation to new circumstances, impacting their ability to make real cost savings and sustain services.

We share these insights as direct feedback from our members, so you and the Committee are aware of the sentiment of the sector. We look forward to preparing a submission for the Committee and assisting the Committee members wherever possible.



Regards,



Bradley Thomas
President – FinPro

Local Government Finance Professionals Inc.

