



Sustainability and Operational Challenges of Victoria's Rural and Regional Councils

presentation to:

Parliamentary Inquiry into Victoria's Rural
and Regional Councils

9 October 2017

Baw Baw Shire Council

2017/18 Budget \$94.4M income, \$71.1M expenses and \$33.2M capital

The Challenges

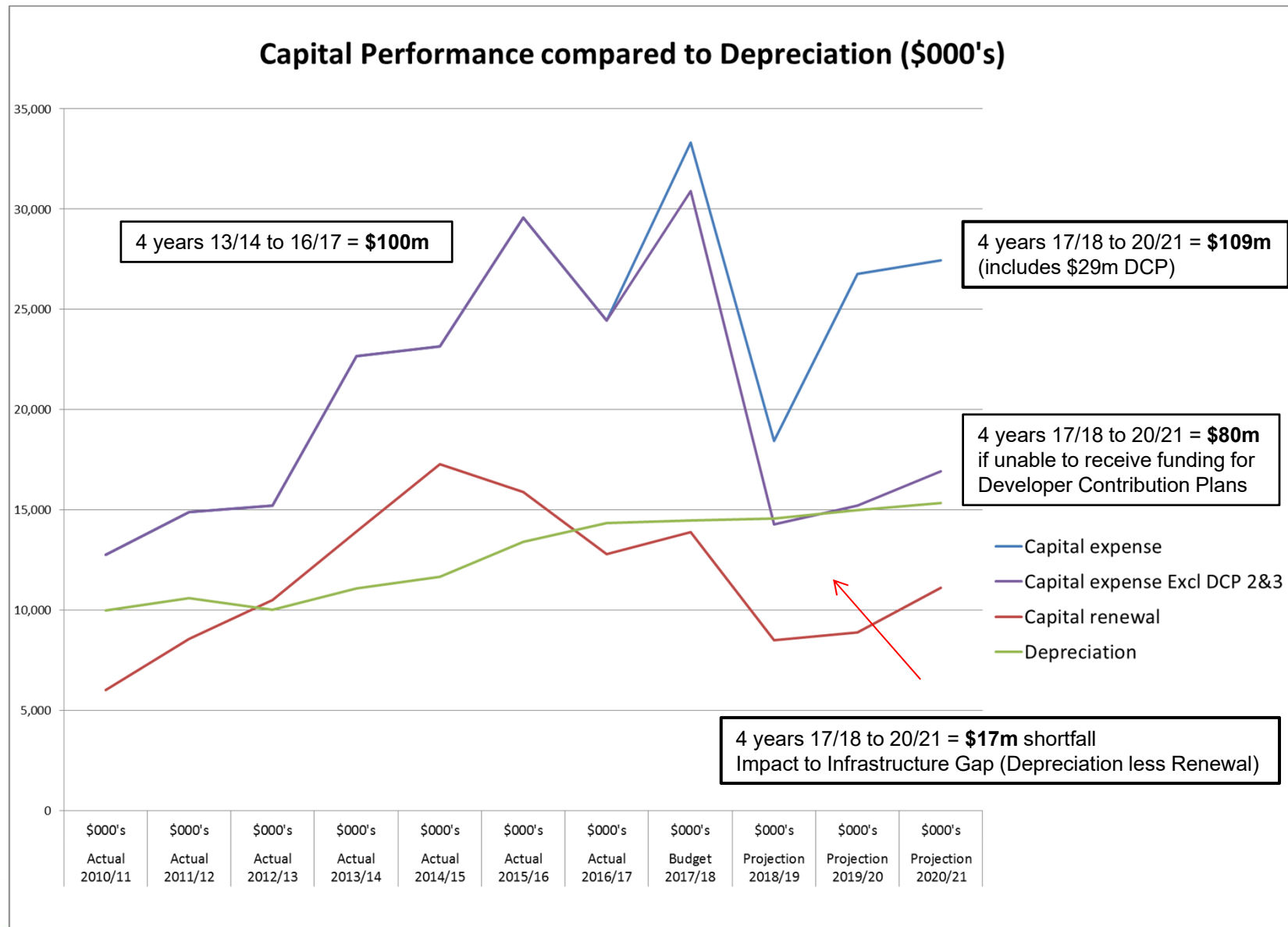
- Managing growth
- Supporting employment
- Protecting the local character of natural environment & agricultural land

The Terms of Reference

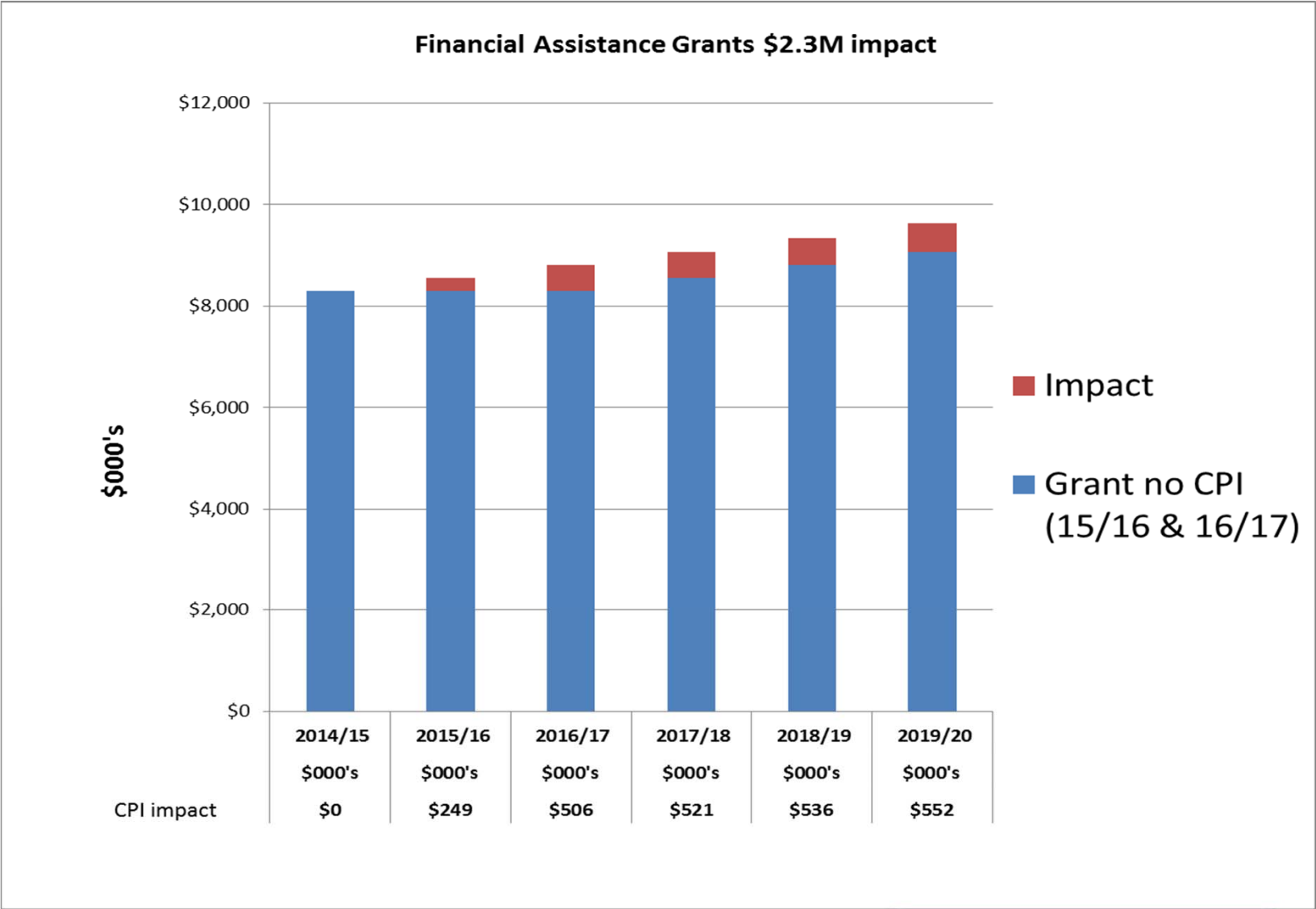
- Local Government funding and budgetary pressures
- Fairness, equity and adequacy of rating systems
- Impact of rate-capping policies
- Flood planning and maintenance of flood mitigation infrastructure
- Maintenance of local road and bridge networks
- Weed and pest animal control



Impact of Rate Capping and Cost Shifting – Reduction to Capital investment

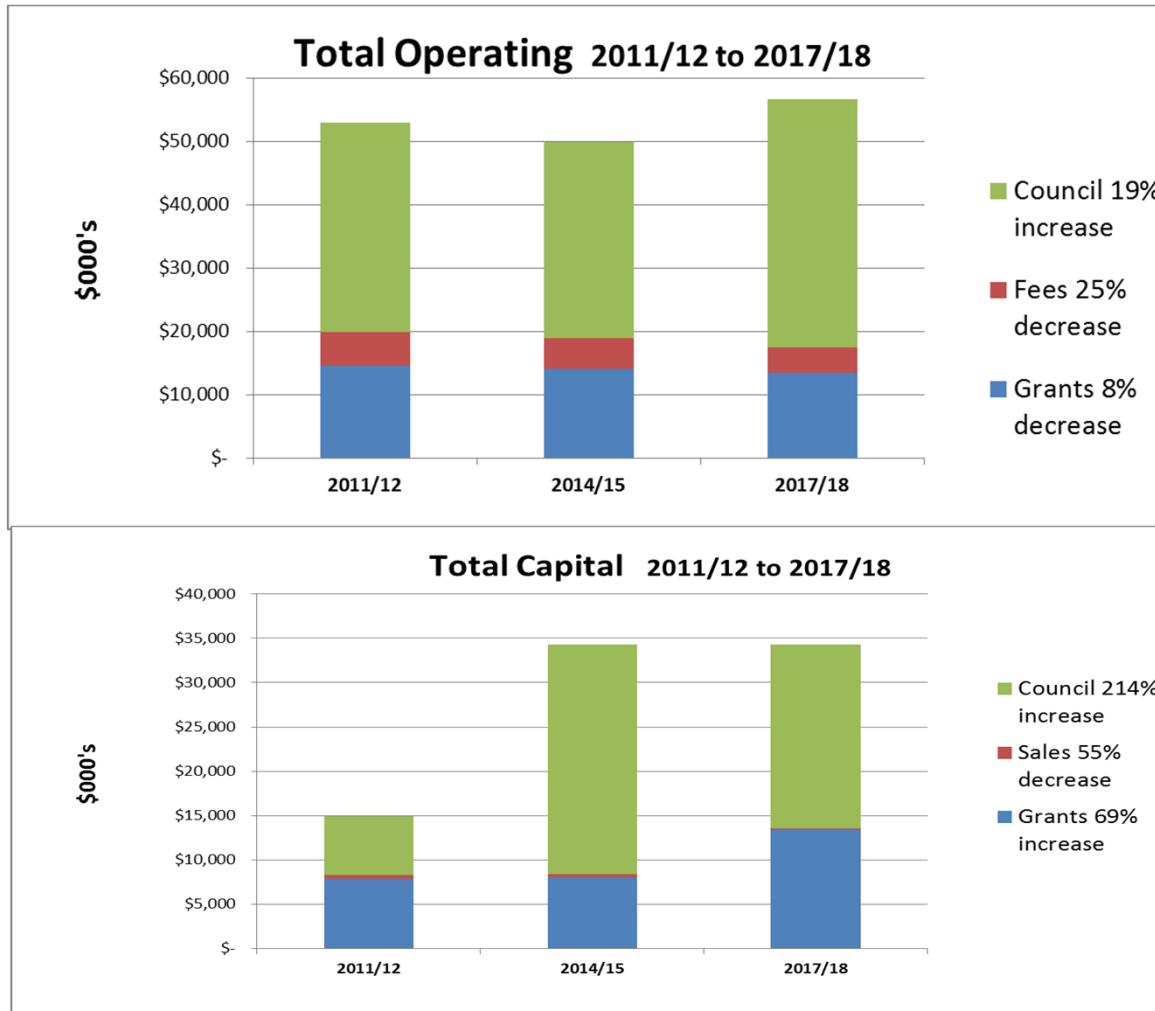


Financial Assistance Grants – \$2.3M impact following CPI freeze

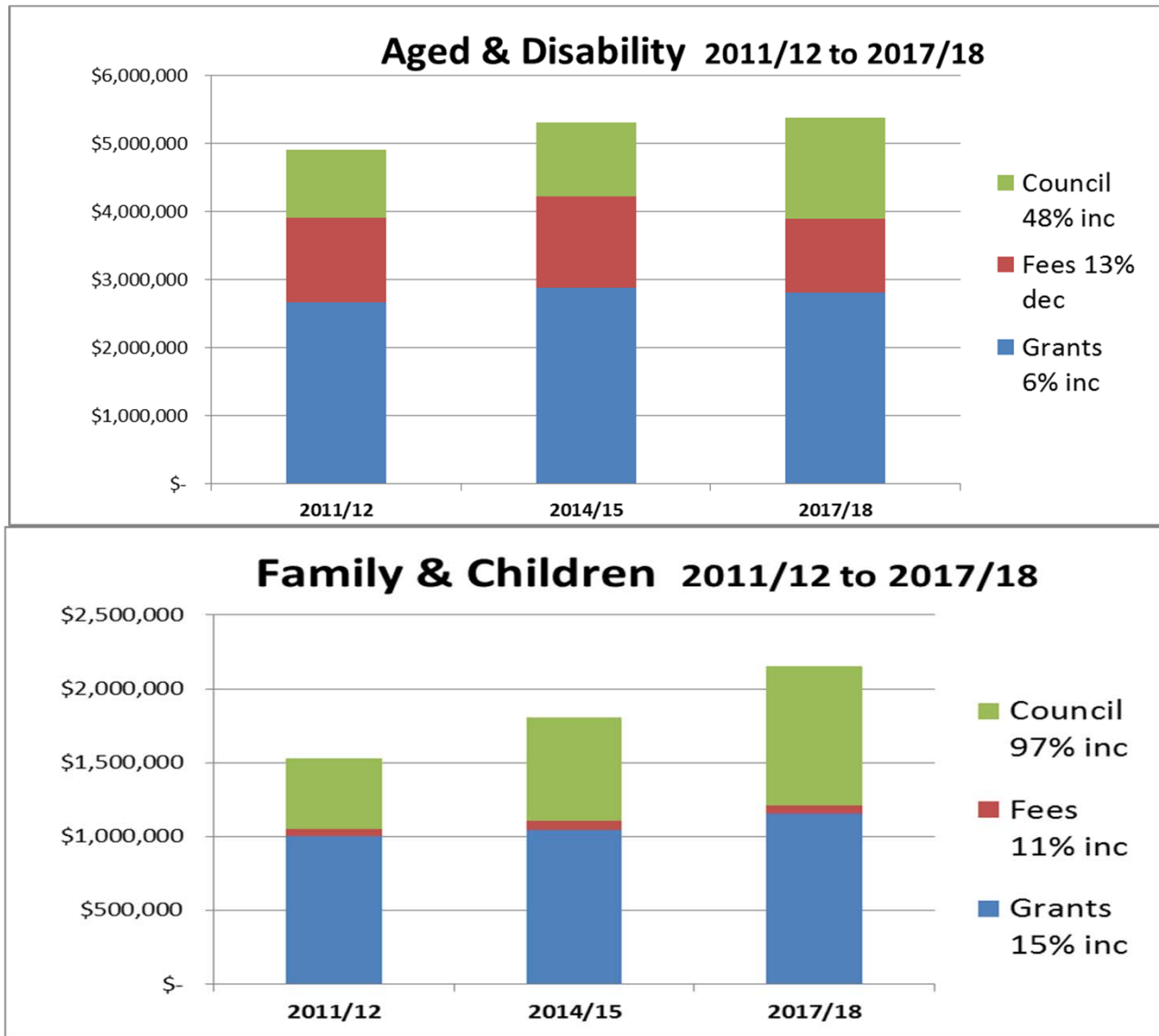


Shared Cost of Service Delivery – the impact of Cost Shifting

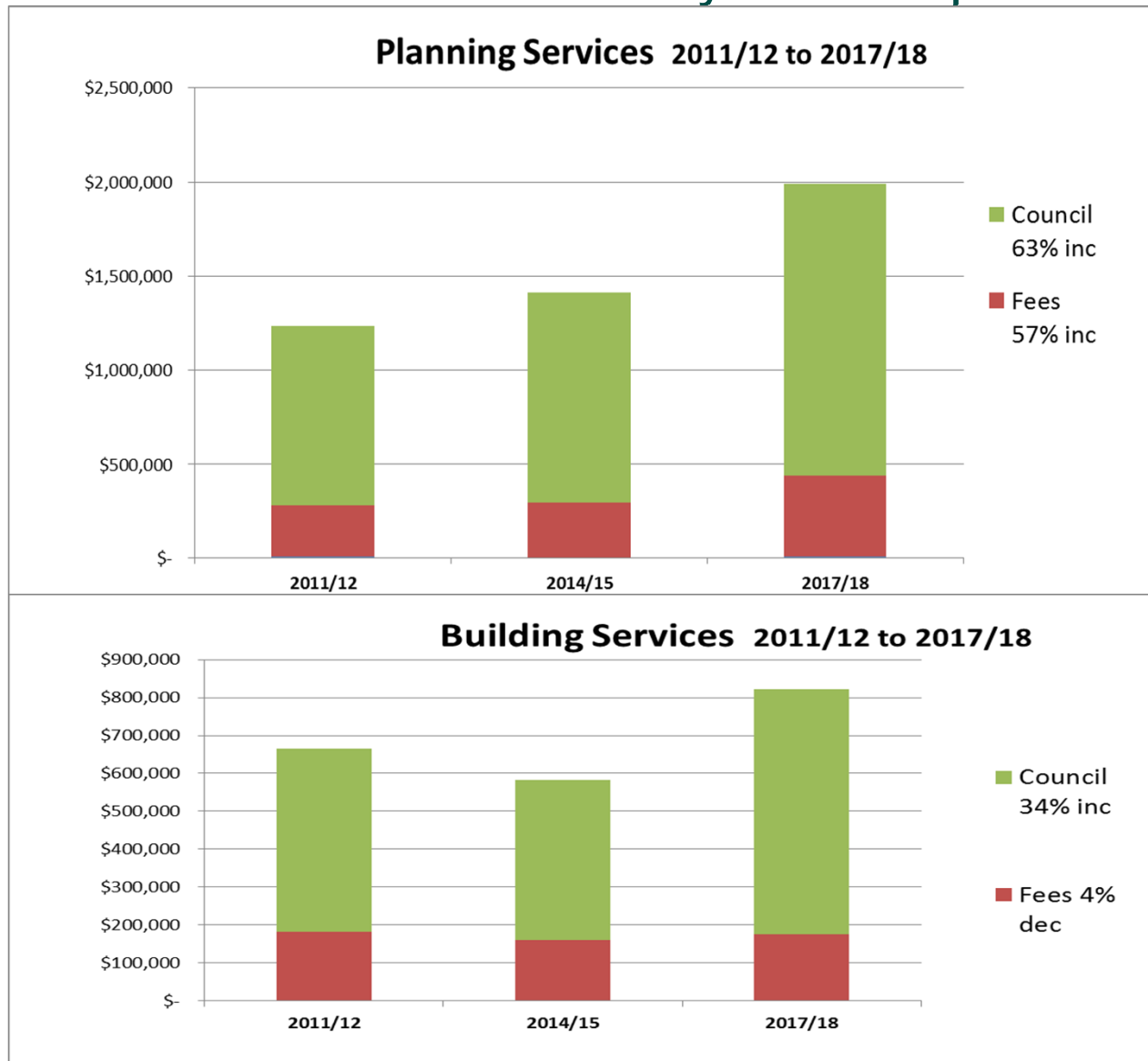
Council contribution - increasing more than revenue from grants and external user fees.



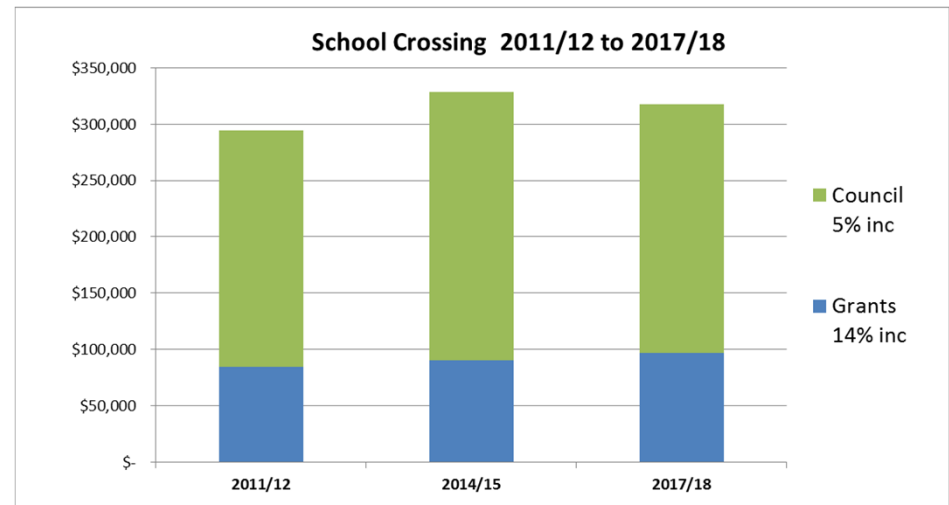
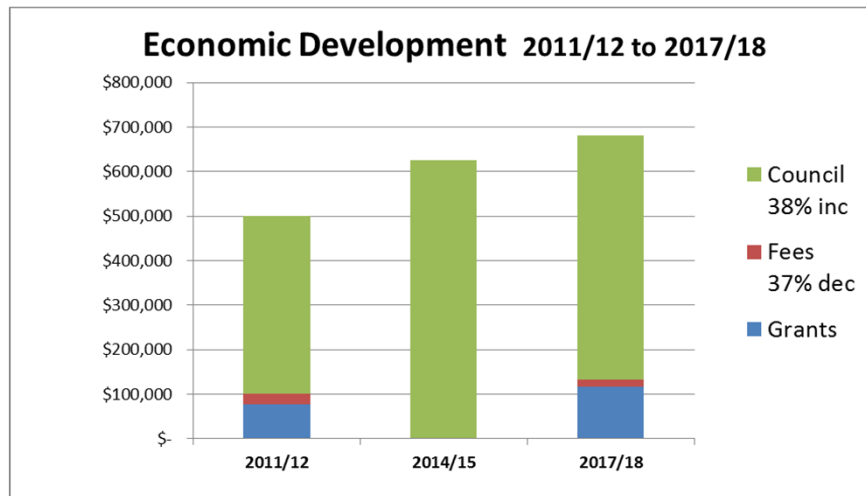
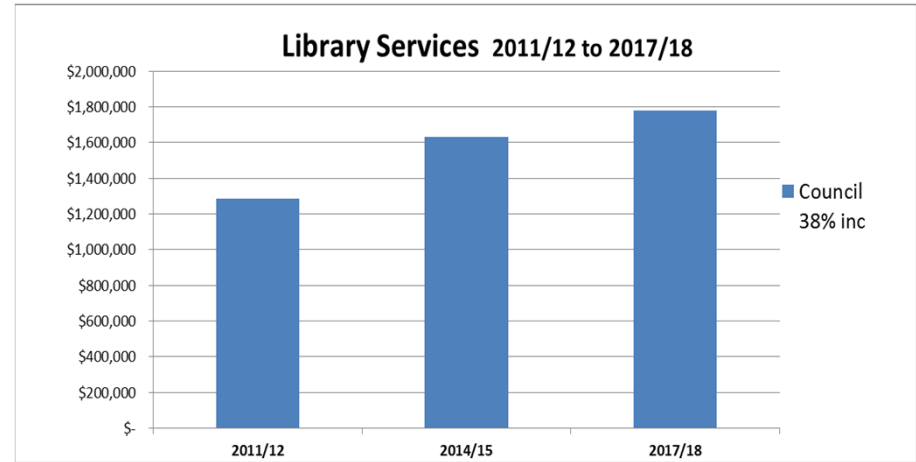
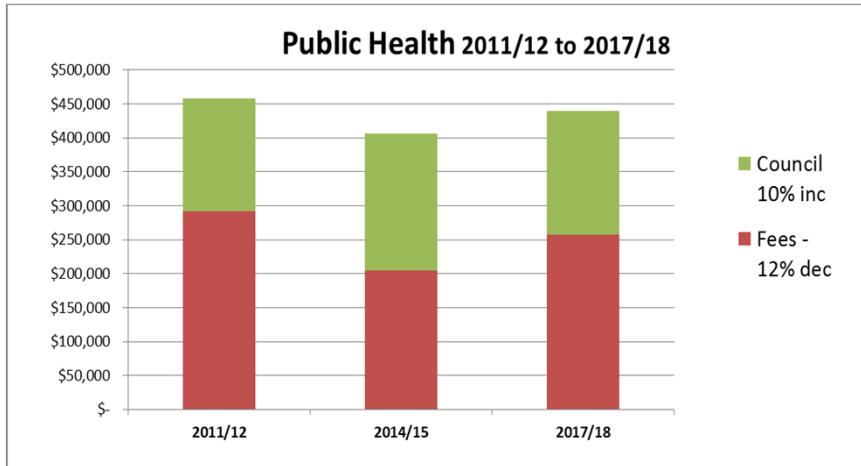
Shared Cost of Service Delivery – the impact of Cost Shifting



Shared Cost of Service Delivery – the impact of Cost Shifting



Shared Cost of Service Delivery – the impact of Cost Shifting



Local Government funding and budgetary pressures

- Issues attracting external funding
- Small residential and industrial base to generate rate revenue
- Dispersed population profile results in need to duplicate infrastructure
- Land mass 4,000+ sqms equals more infrastructure, relative to metro Council's and therefore higher renewal costs
- Lower household income means higher rates as % of household income
- Limited sources of other income such as parking fees and fines

Type of local government	Average household income	Percentage of household income consumed by rates ²
Rural councils	\$42, 659	4.3
Regional councils	\$64, 270	2.8
Interface Councils	\$60, 632	3
Metropolitan councils	\$79, 622	2.3



Fairness, equity and adequacy of rating systems

- LG share of tax revenue verses cost to deliver services and infrastructure
- Rates as a proportion of household income
- Need for alternate revenue sources
- Limited capacity to reduce costs – refer unit cost benchmarks
- Rating strategy distributes the rate burden based on CIV but BBSC needs to raise more rates, relative to metro Councils, to be distributed

Amount of rates charged on average for each residential property:

Baw Baw Shire Council	\$1,669.20	Highest compared to similar councils
East Gippsland Shire	\$1,522.33	
Wellington Shire	\$1,177.97	
Metropolitan Melbourne	\$1,129.99	



Impact of rate-capping policies

- Rural and regional residences have to pay a higher premium for the same services and access to infrastructure due to their location.
- Expenditure trends exceed CPI rate cap
- Increasing renewal gap
- Organisation restructure to save salary costs in 'back of office' but now needed to be added back to respond to 'front of office' service needs.

Flood planning and maintenance of flood mitigation infrastructure pressures

- Rural and Regional Councils are not equipped with the manpower to fulfil emergency management planning responsibilities to include response and recovery
- The councils do deliver a significant range of services to their respective communities however they are not prepared financially or have the expertise or experience to manage the responsibilities for flood planning, preparations and maintenance of flood mitigation.



Maintenance of local road and bridge networks

- Dispersed population and limited budget has compromised capacity to maintain pace with user demand
- Rural and unsealed road network – large maintenance burden
- Last mile – BBSC is home to businesses that are transport dependant

Weed and pest animal control

- Limited budget for management of pests and weeds
- Responsible for roadside weed control across approximately 1,600 kilometres of rural roads.
- Insufficient funding to control invasive animals





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