

Dr Graeme Emonson Executive Director Local Government Victoria



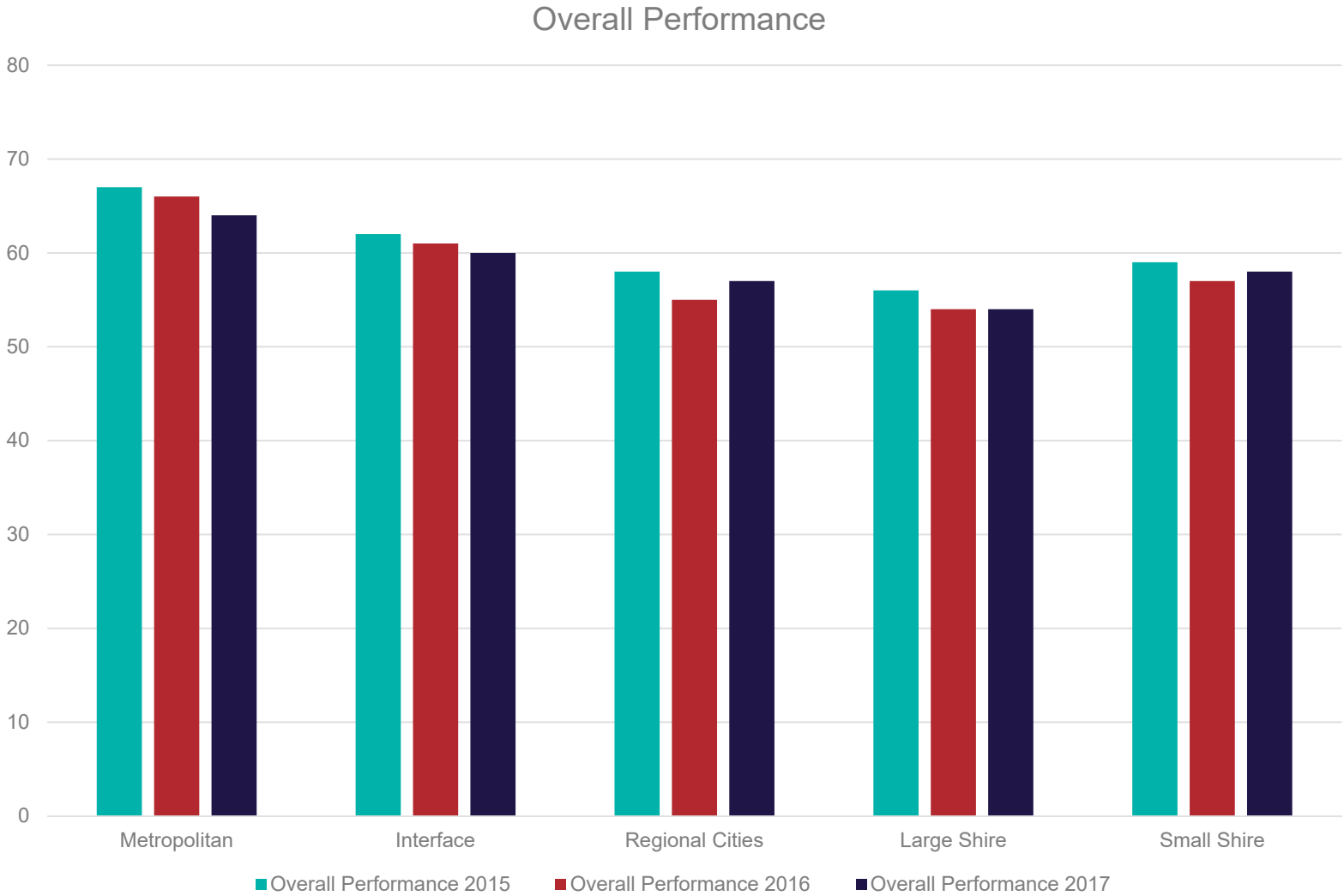
Presentation to
Parliamentary Inquiry into Victoria's Rural
and Regional Councils

15 August 2017



- 79 Councils
 - 19 small rural councils
 - 19 large rural councils
 - 10 regional city councils
 - 22 metropolitan councils
 - 9 Interface councils
- \$8B pa investment in services
- \$2B pa investment in infrastructure
- More than 36,000 employees

Community Satisfaction with Council Performance





Rural and Regional Council Excellence

Despite financial challenges, rural councils exceed state averages on a number of performance measures:

- Faster times in resolving statutory planning applications
- A higher proportion of active library participants
- Fewer kerbside bin collections missed
- Faster action on food complaints, and
- Faster times to commence Home and Community Care Services.

Key Variability Indicators

Measure 2015-16	Small Rural (Average)	Large Rural (Average)	Regional Cities (Average)	Interface (Average)	Metropolitan (Average)	All Councils (Average)
Expenses per Capita	\$2,745.19	\$2,037.24	\$1,762.21	\$1,123.32	\$1,196.35	\$1,834.40
Value of infrastructure per Capita	\$22,397.37	\$16,302.61	\$12,223.14	\$7,715.62	\$6,139.03	\$13,443.42
Average road length (KMS)#	2,254	2,283	2,171	1,363	500	1,661
Own Source Revenue Per Capita	\$1,760.95	\$1,494.75	\$1,351.94	\$982.48	\$1,174.14	\$1,393.10
Recurrent grants Per Capita	\$727.57	\$400.13	\$299.48	\$132.01	\$110.33	\$354.89
Relative Socio Economic Disadvantage (1 most to 10 least)	3.68	5.16	3.50	6.88	7.59	5.47

Victorian Council Financial Performance by Cohort

Measure FINANCIAL PERFORMANCE 2015-16	Small Rural (Average)	Large Rural (Average)	Regional Cities (Average)	Interface (Average)	Metro (Average)	All Councils (Average)
Average Rate per Assessment #	\$1,523	\$1,635	\$1,682	\$1,722	\$1,683	\$1,649
Asset Renewal as a % of Depreciation Expense	72.91%	81.06%	73.72%	47.63%	85.89%	75.71%
Loan Repayments as a % Rates	3.94%	4.34%	5.93%	8.03%	3.37%	4.60%
Aggregate* Operating Surplus/ Deficit (\$)	-\$14.4m	\$100.6m	\$168.5m	\$531.8m	\$363.9m	\$230.1m

*Forecast Actual figures from 2016-17 Budgets only (not averages)
 Source: Know Your Council Website
 # Source: Victoria Grants Commission

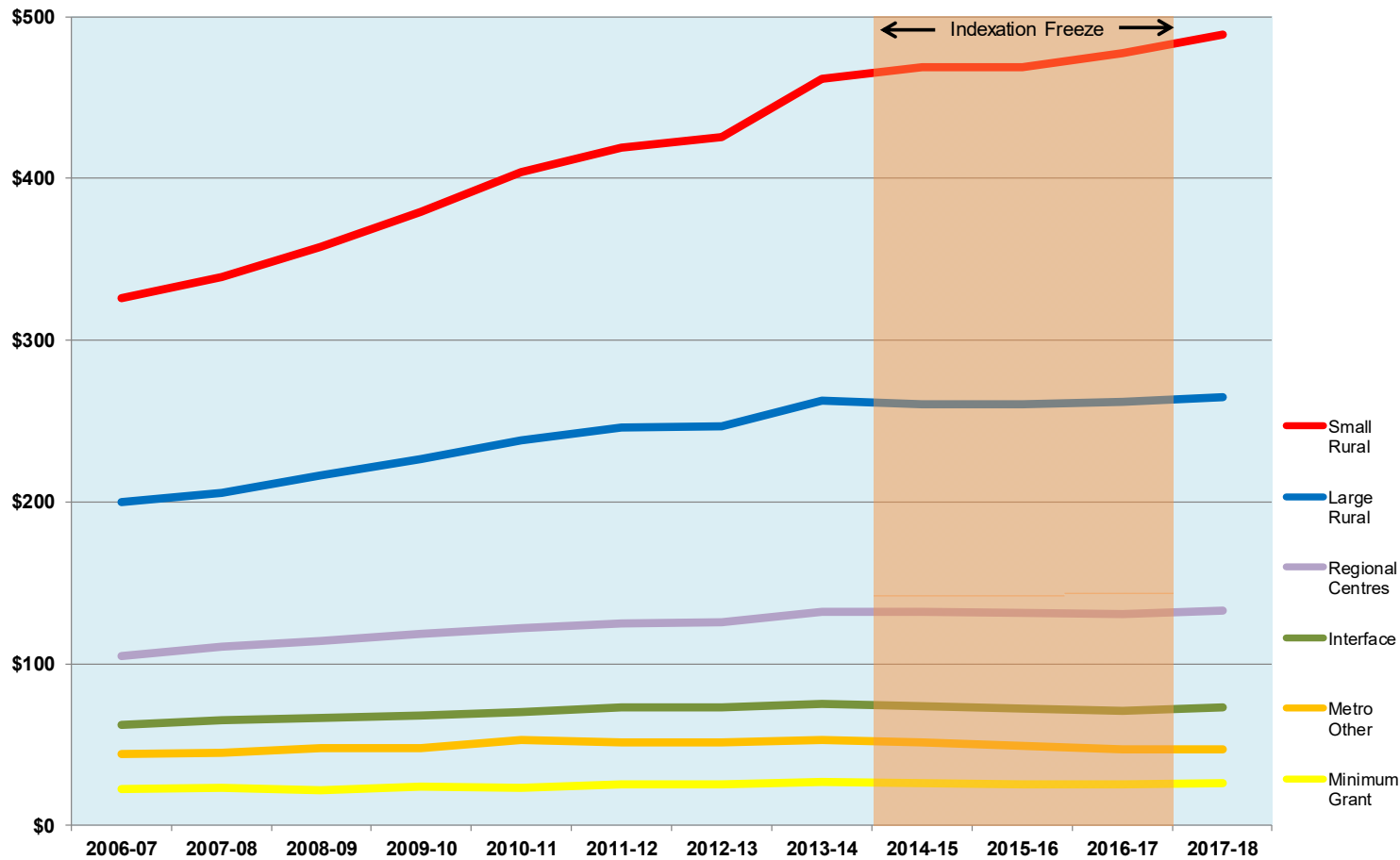
Rates and Grant Revenue

	Small Rural	Large Rural	Regional Cities	Interface	Metro
Rates as % of Total Income	50.4%	54.1%	56.4%	51.8%	65.5%
Grants as a % of Total Income	37.5%	27.5%	19.3%	13.5%	10.3%

Source: 2016-17 Council Budgets

Trends – Total VGC Grants Per Capita

Victoria Grants Commission - Total Grants Per Capita by Group



.... rural councils receive higher per capita grants than councils in other groups, and this trend has been accelerating over time.

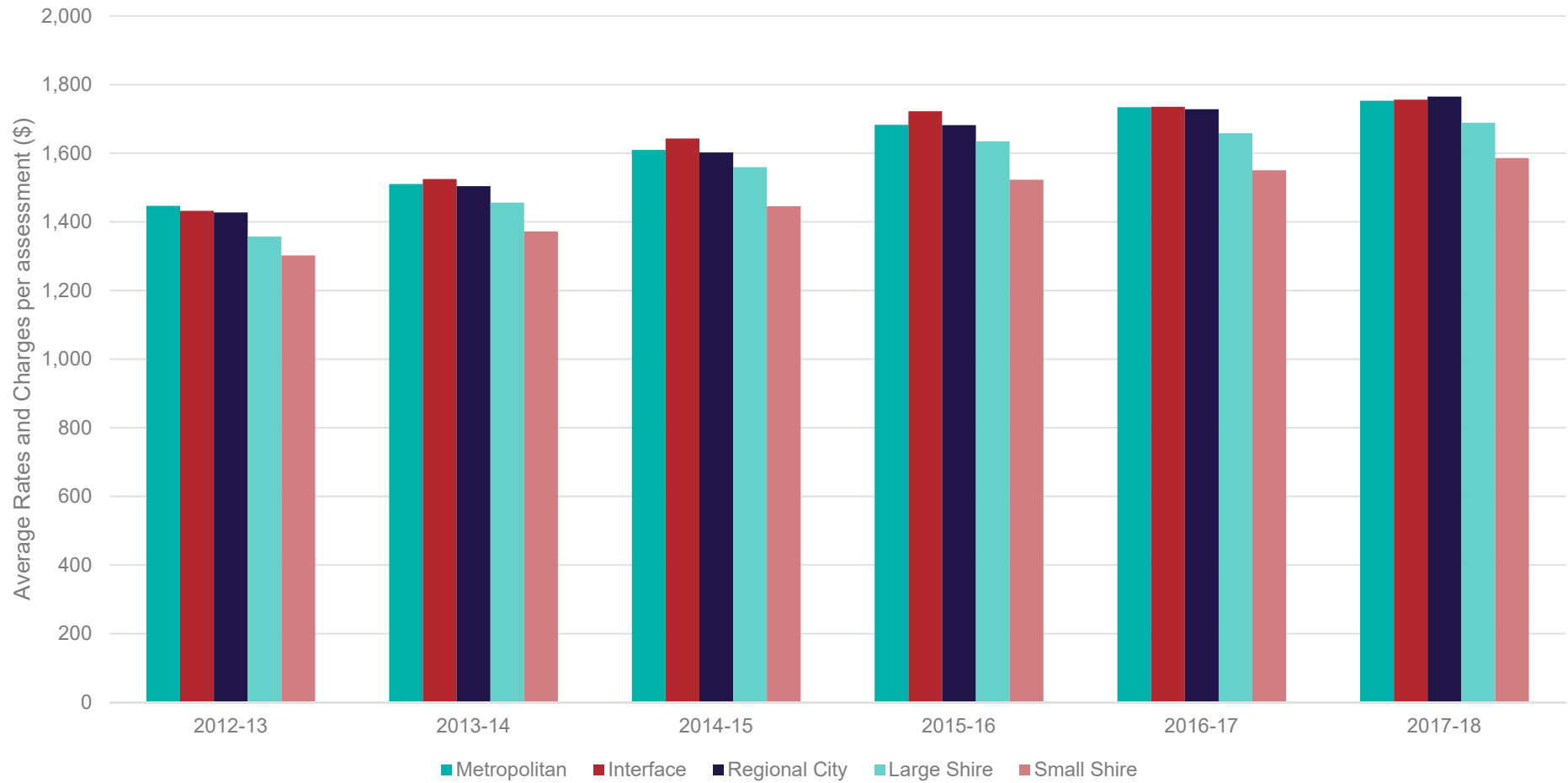


Rating Options for Councils

- Three valuation methods for calculating general rates:
 - Capital Improved Value (CIV)
 - Net Annual Value (NAV)
 - Site Value (SV)
- CIV is used by all rural and regional councils
- The differential rate defines types or classes of land to which it applies:
 - farm land
 - commercial/industrial land
 - residential
 - Other (retirement villages, vacant land, derelict land, cultural and recreational land).
- The highest differential rate must be no more than 4:1.
- Municipal charge, service rates and charges, special rates and charges.

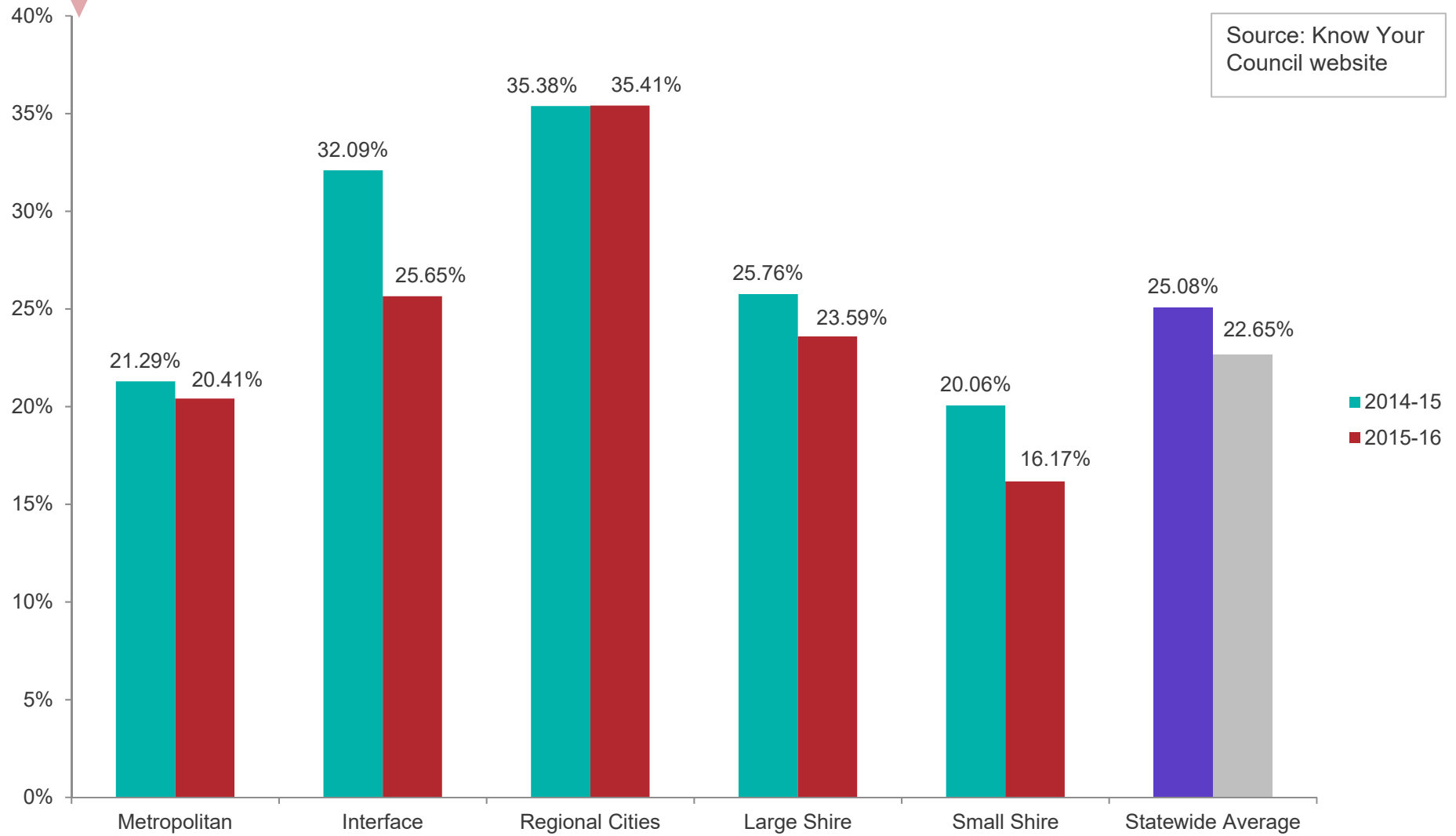
Average Rates and Charges per Assessment

Average Rates and Charges per assessment 2012-13 to 2017-18



Source: Victoria Grants Commission data and Council Annual Budgets

Loans and Borrowings Compared to Rates



Small Rural Council Financial Projections

Performance Measure	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Operating surplus / deficit	44.8	32.8	19.0	4.3	-2.1
Capital Expenditure Program	183	164	145	127	127
Cash and Investments (including restricted)	147	142	135	127	122
Long Term Debt	40	40	37	27	23

Large Rural Council Financial Projections

Performance Measure	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Operating surplus / deficit	135.7	187.7	137.5	129.2	130.2
Capital Expenditure Program	381	429	342	335	344
Cash and Investments (including restricted)	379	340	344	388	360
Long Term Debt	156	159	159	148	139

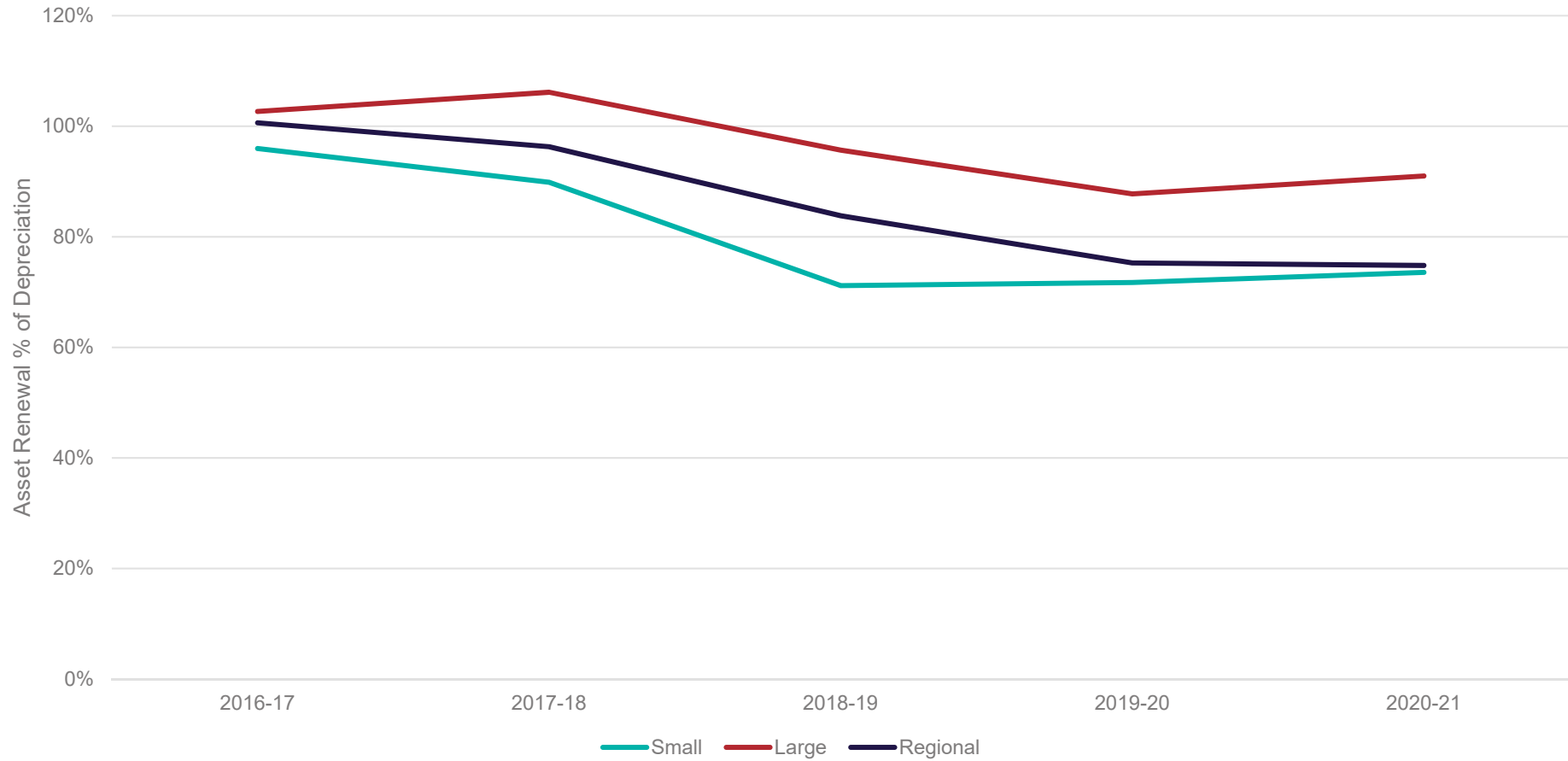
Source: Council Budgets and Strategic Resource Plans

Regional Cities Financial Projections

Performance Measure	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Operating surplus / deficit	181.6	166.3	170.2	138.9	115.4
Capital Expenditure Program	513	399	397	336	328
Cash and Investments (including restricted)	302	277	278	288	307
Long Term Debt	250	290	340	349	351

Projected Asset Renewal 2016-2021 for Rural and Regional Councils

Projected Trends in Asset Renewal 2016-2021





Selected LGV Programs

- The **Collaborative Council - Sustainability Partnership Program** - \$2.7m allocated between 2015-16 and 2017-18
- **Finance and Accounting Support Team Program** - \$3.2 million over 4 years from 2016-2020
- The **Living Libraries Infrastructure Program** - \$22.4 million for 2016-2020
- **Municipal Emergency Resourcing Program** - \$4.6 million annually shared between 64 councils within the Country Fire Authority districts
- **Roadside Weeds and Pests Program** – between \$5,000 and \$75,000 annually for each eligible council.



Local Government Act Review – Proposed Reforms

Longer Term Integrated Financial and Asset Planning

- Requirement for a 10 year Financial Plan
- Requirement for a 10 year rolling Asset Plan
- Support for greater collaboration and partnerships

Rural and regional council sustainability project

Key deliverables in 2017-18:

1. Analysis & quantification of major challenges for rural and regional councils (structural and operational)
2. Options to address challenges (short, medium and long-term)

Questions and Discussion

