SUBMISSION 7
RECEIVED 29/08/2016

RURAL CITY OF WANGARATTA

SUBMISSION TO THE ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE ENQUIRY INTO –

THE SUSTAINABILITY AND OPERATIONAL CHALLENGES OF VICTORIA'S RURAL AND REGIONAL COUNCILS

The Terms of Reference are *'…to inquire into, consider and report, no later than 31 March 2016 (extended to 2017), the sustainability and operational challenges of Victoria's rural and regional councils, including but not limited to the following –*

(a) Local government funding and budgetary pressures
(b) Fairness, equity and adequacy of rating systems
(c) Impact of rate-capping policies
(d) Capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure
(e) Maintenance of local road and bridge networks
(f) Weed and pest animal control

(a) Local government funding and budgetary pressures

Wangaratta Council has been impacted by the following government funding policies and legislation:

State Government

- Rate capping – $29M cumulative impact over ten years
- Country Roads and Bridges funding - $10M over ten years
- Reduced state share of expenditure for Maternal & Child Health services, Libraries, School Crossing Supervisors, Weed and pest control, State Emergency Services, Neighbourhood Houses and Pre-schools.
- Increased compliance costs and levies in relation to waste management.

Federal Government

- Freezing indexation of Financial Assistance Grants - $11M cumulative impact over ten years
- A transformational change to the delivery of aged and disability services:
  - Transfer of care services for older people to the commonwealth government
  - Transfer of care services for younger people to state government funding model
  - Transfer of care services for younger disabled people to the National Disability Insurance Scheme
  - Client choice for service provider and
  - Client choice for level of case management for care management created by a contestable market.

The reduction in funding will reduce Council's cumulative revenue over ten years by $50M. Cost shifting by the state government continues to place pressure on our capacity to deliver services to the established service standards expected by our community.

(b) Fairness, equity and adequacy of rating systems

The *Local Government Act 1989* (the Act) provides Councils with the flexibility to levy:

- A municipal charge
- Uniform rates
- Differential rates
- Special rates and charges
- Service rates and charge,
- Provide rebates and concessions
- Provide deferrals and waivers based on hardship

Ministerial Guidelines for Differential Rating issued in April 2013, require councils to give consideration to reducing the rate burden through the use of a reduced differential rate to farm land and retirement village land. These guidelines also provide land categories where a differential rate should be given careful consideration and where it would not be appropriate.

These guidelines provide a clear rationale for the application of differential rates and provide a basis for councils to utilise good practice approaches. Further, the guidelines encourage the use of other rating tools alongside differential rates.

(c) Impact of rate-capping policies

A one-size fits all approach is regressive and inappropriate to rural and regional councils.

The cap takes no consideration of the unique characteristics of each Council, such as remoteness, regional significance, scale, language, road attributes, population density, socioeconomic status, and/or disadvantage.

The roles and responsibilities of regional cities extends beyond their municipal boundaries, to provide enhanced sporting, recreational and cultural facilities.

If there must be a cap, there should be a range, to take into consideration the unique attributes of councils, including the ability of the council to raise revenue through alternative methods.

<u>What have we done?</u>

We have taken a progressive approach towards remaining financially sustainable in this income constrained environment.

We have implemented a program titled ‘Our Future’ that aims to make us a more efficient and responsive organisation reflecting the needs of our community, while ensuring our financial sustainability in the long term. Eight key priority areas have been identified:

1. Workforce planning and efficiencies
2. Service Planning
3. Revenue
4. Reporting
5. Project Selection, Planning and Delivery
6. Operational Efficiencies
7. Procurement
8. Communication.

The Our Future program has yielded many changes in the way we deliver our services.

Workforce planning and efficiencies

We have undertaken a voluntary redundancy program, achieving 14 approved nominees in a workforce of 400 – 3.5%.

We are currently undertaking a restructure that will see our third level management team reduced from fifteen to nine.

Our current EB annual increment is 4%, we are about to commence our negotiations and the increment number will more likely start with a 1. On top of this, bracket creep is anticipated to be 2.5%.

Service planning

The method of delivery will change in some areas and some tasks may not be undertaken by Council.

Packaged Care services

We will reduce the geographic spread of our Packaged Care provision from 9 municipalities Wangaratta only. This has seen the reduction of workforce in this unit from 21 to 14, eventually reducing to eleven. Caseloads for our remaining care advisors will be increased. This change will occur over time and it is anticipated that the balance of the service will be provided by the private sector.

Library services

We have dissolved the High Country Library Corporation, previously serving four municipalities, and brought our library service in-house. We have adopted a hub-and-spoke model in order to remove overheads and improve synergies with our other Council services.

Transfer stations

We have reviewed the usage and costs of our transfer stations, closed four of our seven locations and adjusted the opening hours of the remaining three.

Operational efficiencies

We have reduced non-salary operating expenditure across all business areas by at least 5% as a 2016/17 budget directive.

In order to do so, we have implemented efficient and contemporary solutions in the areas of printing, document management, payroll processes and mobile technology for asset maintenance. Further targeted efficiencies have been proposed in the 2016/17 budget.

Borrowings

We commissioned an independent review of our borrowings in April 2016. This revealed that far greater use could be made of Council's capacity to borrow and recommended a different attitude to debt. Using Moody's metrics for Debt burden and Interest burden, Council could increase borrowings from its current $9M to $25M and still maintain a Aa2 Moody's credit rating, which is two notches below the Commonwealth of Australia and State of Victoria.

(d) Capacity for rural and regional councils to meet responsibilities for flood planning and preparation, and maintenance of flood mitigation infrastructure

The Victorian Floodplain Management Strategy prescribes a range of accountabilities to Local Government, including:

- Development and implementation of Water Management Schemes (WMS) for flood mitigation infrastructure
- Design, construction and management of any infrastructure implemented under a WMS
- LGAs (outside Melbourne Water's region) are accountable for:
    - leading the process to determine and implement new flood mitigation infrastructure, through flood studies and WMSs
    - the ongoing maintenance and management of new infrastructure through flood studies and WMSs.
- The maintenance and management of existing flood mitigation infrastructure under formal arrangements will be funded by beneficiaries (through relevant LGAs) and will be subject to third-party auditing arrangements
- Where there is flood mitigation infrastructure that is not being formally managed:
    - Potential Municipal Planning Scheme amendment
    - Revision of Municipal Flood Emergency Plan
- LGA's (outside Melbourne Water's region) are accountable for:
    - leading the process to determine and implement, through flood studies and WMSs (where appropriate), the assessment of existing flood mitigation infrastructure necessary to meet the needs of their communities, taking into account economic, social, cultural and environmental issues
    - the ongoing maintenance and management of existing infrastructure under formal management arrangements.
- Ensuring that Municipal Flood Emergency Plans include the best available information about the condition of flood mitigation infrastructure, including levees.

These accountabilities are not provided for in our budget and will require the application of additional resources.

(e) Maintenance of local road and bridge networks

We have curtailed the renewal expenditure in our 2016/17 budget below that required by our modelling. By 2020, our renewal gap will be $1.8M and will continue to grow if these trends and processes continue to be implemented.

(f) Weed and pest animal control

Whilst the responsibility for weed and pest animal control on roadsides now rests with Council, since state government policy changes, the 2016/17 financial year is the last year of confirmed funding of $45K from the state government for our Council. This program is well supported by the community and adjacent land holders, who work in tandem with Council to achieve more effective pest control outcomes. Without funding, the progress made will be lost, leading to reduced productive capacity of agricultural land and community frustration.

Conclusion

The combined impact of reduced federal and state government funding totals $50M over ten years for Wangaratta. This, combined with reduced state contributions to services, places us in a precarious financial position. The likely outcome of which is reduced service levels, increased user charges, greater debt and deteriorating infrastructure.

Ruth Kneebone

DIRECTOR CORPORATE SERVICES.