

REGIONAL CITIES VICTORIA

**Inquiry into the Sustainability and Operational Challenges of
Victoria's Rural and Regional Councils**

Supplementary Submission to the Environment, Natural
Resources and Regional Development Committee

February 2018



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Mr Josh Bull MP
Chair
Environment, Natural Resources and Regional Development Committee

Via email: enrrdc@parliament.vic.gov.au

19 February 2018

Dear Chair,

Re: Supplementary Submission to the Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils

About Regional Cities Victoria (RCV)

Regional Cities Victoria (RCV) is a regional leadership group dedicated to building a sustainable Victoria by providing strategic advice, coordination and advocacy to State and Federal Governments to support policies which enable Victoria's regional centres to grow and develop.

Comprising Mayors and CEOs of the 10 largest cities in regional Victoria – Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool and Wodonga - RCV is focused on achieving real change in regional Victoria through policy development and active implementation of those policies.

RCV is widely recognised as a pre-eminent advocacy organisation for regional Victoria. It works closely with both the Minister and Shadow Minister for Regional Development, with various arms of government including Local Government Victoria and Regional Development Victoria, and with other bodies such as Rural Councils Victoria, the Municipal Association of Victoria, RACV, the Victorian Chamber of Commerce and Industry and the Victorian Farmers Federation.

As regional hubs, these cities support surrounding towns and districts through the provision of education, health, financial, transport and social services, as well as retail, sport and recreation, cultural and tourism amenities and activities.

Response to the Inquiry so far

RCV is pleased that the Environment, Natural Resources and Regional Development Committee is analysing the sustainability and operational challenges of Victoria's rural and regional councils. Appreciating the Committee's terms of reference, RCV, as the representative body of the 10 largest cities in Victoria, responded in September 2016 with a formal submission focusing on local government funding and budgetary pressures, and the impact of rate-capping policies.

We note that the Committee has received 67 submissions. In addition to the RCV submission, we note that eight of the 10 RCV member councils (exceptions are Wodonga and Shepparton) have also made submissions to the Committee.

The immediate past Chair of Regional Cities Victoria, Mayor Cr Anna Speedie of Wodonga was scheduled to address the Committee in Wodonga on Tuesday 21 November 2017. Unfortunately, due to the cancellation of the hearing, RCV did not have the opportunity to provide additional feedback and updated information to the Committee. Given the extended reporting date for this Inquiry, RCV wishes to submit

this supplementary document, to support the initial submission, and to further inform the Committee's deliberations.

Impacts of the rate capping policy

As RCV highlighted in its original submission, rate capping is having a disproportionate impact on regional councils, particularly due to their additional servicing responsibilities. Unlike metro or peri-urban councils, regional councils must service residents from surrounding rural councils and shires, who are also being forced to make cuts due to rate capping. Examples of the additional services regional cities are expected to provide include:

- 30 per cent of the people that use the Wodonga Library do not live in the City of Wodonga. This equates to around \$300,000 worth of additional services that Wodonga effectively provides as pro bono.
- Around 50 per cent of people who use the Geelong Performing Arts Centre are from outside the City of Geelong.
- Warrnambool operates a regional airport, which in addition to business and recreational aircraft, is also home to essential services Ambulance Victoria and Helicopter Emergency Medical Services (HEMS 4). The airport averages about 40 aircraft movements daily with General Aviation Maintenance (Courier Service) and Ambulance Victoria fixed wing aircraft daily users.
- Most of RCV's member cities pay millions for important cultural attractions, like the Bendigo Art Gallery and Shepparton Art Museum. These are fantastic local facilities and they are pivotal for growing our local economies – but these are not facilities and services that metro and particularly peri-urban councils need to provide, given their proximity and ready access to state government funded facilities such as the National Gallery of Victoria, Melbourne Museum, Scienceworks or Heide Museum of Modern Art.

RCV member cities understand they have a responsibility to provide these services and are proud to assist neighbouring smaller councils; but they are struggling under rate capping.

There has also been increasing pressure from the Federal Government. The Abbott Government froze Financial Assistance Grants in 2014-15 for three years, which the Australian Local Government Association estimated cost councils more than \$300 million.

Many of our councils are now unable to accept significant state and federal grants, as most of these programs require matched funding from councils. In the current environment, RCV member councils simply cannot afford to provide these funds and therefore miss out on the business attraction and growth opportunities that these grants can provide. This restricts the employment opportunities in regional cities, hampering their ability to attract people to regional areas, and this will have long-term negative impacts on regional Victoria.

The way forward

RCV acknowledges that the Government and the Opposition are unlikely to wind back the rate capping policy. With this in mind, RCV is focused on devising strategies that could deliver alternative revenue or funding streams, or strategies that could reduce the financial burden on regional and rural councils.

Local Government Financing and Treasury Shared Services Model

One example of a new strategy that could deliver significant savings to RCV member councils is the Treasury Shared Services Model.

RCV has commissioned the following research papers on the topic: *Financing for Growth* in 2012 (by SED); *2013 Regional Cities Growth Framework* (by MacroPlan Dimasi); and *Local Government Financing and Treasury Shared Service* (by EXEM Australia) in 2014, with an update in 2015.

This work has outlined a robust case for the creation of a Treasury Shared Service. This shared service model involves RCV cities aggregating funds in order to provide access to wholesale investment markets, dramatically reducing interest costs for all ten councils.

Analysis by EXEM Australia shows the model would deliver a 2 per cent reduction in interest – an annual saving of around \$5 million on current RCV debt levels. These savings would allow RCV cities to make further investments in their communities, addressing infrastructure backlogs, developing assets and creating opportunities for economic growth and improved liveability in their local government area.

RCV is currently working to develop a formal business case underpinning the proposal for the implementation of the Treasury Shared Service. This project has been funded by a grant from the Living Regions Living Suburbs fund, approved by the Minister for Regional Development in late 2017.

Other policy ideas being discussed include:

- a category-based capping regime that acknowledges the greater responsibilities of regional councils;
- a significant boost to regional development programs for community infrastructure;
- a push to waive the requirement unmatched funds for Government grant streams; and
- better support for enabling infrastructure in our cities.

Conclusion

RCV understands that rate capping is a popular policy for some sections in the community. These same local constituents are demanding better services and better infrastructure in their communities. With the current policies in place, regional cities will not be able to deliver these at current levels in the future.

Thank you for receiving this additional information. Should you have any queries, or require further information, please contact the Regional Cities Victoria Secretariat on 03 9654 4799 or via email: rcv@cprcomm.com.au

Yours sincerely,



Cr Margaret O'Rourke
Chair
Regional Cities Victoria