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The Secretary
House of Representatives Standing Committee
on Economics, Finance & Public Administration
Inquiry into Local Government & Cost Shifting
Parliament House
CANBERRA ACT 2600

House of representatives Standing Committee on
Economics, Finance and Public Administration

Submission No: 328
Date Received: 6/12/02
Secretary: *Burdell*

Dear Sir

SUBMISSION - INQUIRY INTO LOCAL GOVERNMENT & COST SHIFTING

Thank you for the opportunity to make a submission to the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into Local Government and Cost Shifting at Warrnambool on Friday, 6 December 2002.

INTRODUCTION

Firstly, I wish to state that Golden Plains Shire Council supports the submission made by the Municipal Association of Victoria (MAV) to this Inquiry in September 2002.

Golden Plains Shire is a rapidly growing municipality located between the provincial cities of Geelong and Ballarat. It services a population of 15,000, with a staff level of 4.3 EFT per 1,000 residents. The average EFT for Councils under 26,000 population is 8 EFT/1,000.

Its rate base forms only 25% of its total budget of \$16 million and, therefore, relies heavily on grant funding to provide services to a diverse population spread over 30 individual communities, each with its own identity, recreation and community infrastructure and service demands.

Since amalgamation in 1994, Golden Plains Shire Council, like many other regional Victorian Councils, has struggled to build its rate base to a reasonable level following the enforced 20% cut in rates in 1995, followed by successive years of rate capping. In addition, the former Councils that now make up Golden Plains Shire Council had rating strategies based on minimal rate increases. This meant that the enforced 20% cut was more of a setback in rural areas, as many Shires had already cut to the bone.

Although Council's current Financial Strategy allows for rate increases above CPI, each 1% rate increase returns only \$40,000, which does not go far in delivering a diverse range of Local Government services to our growing communities. In addition, the 'acceptance' of rate increases, above a certain limit, presents a hurdle in today's political environment.

Whilst Council supports the MAV submission, it wishes to make comment in the following areas:

ASSET MANAGEMENT

- The majority of Golden Plains Shire's halls and recreation reserves are on Crown Land owned by the Department of Natural Resources and Environment [DNRE]. These assets are conservatively valued at \$16 million, without the land.
- Under the Municipal Association of Victoria's Asset Management Improvement 'STEP' Program, Councils will be required to achieve a minimum level of asset management process within two years.
- The challenge for Councils is to determine whether or not they bring these Crown Land assets under their Asset Management Improvement Programs.
- Since amalgamation in 1994, Golden Plains Shire Council and the community have contributed the sum of \$1.09 million towards the refurbishment and improvement of Crown Land Reserves.
- DNRE does not have an Asset Management Improvement Program, nor a maintenance program for its assets. It has introduced a minor program called CLIP in the last 2 years, but the budget is grossly inadequate and was spread too thinly to make any real impact.
- In addition, Council provides insurance for these assets at an annual cost of \$37k.
- Mowing and grounds maintenance at these reserves costs Council \$218k per annum.
- DNRE's unwillingness or inability to provide asset maintenance and significant money for refurbishment of these important assets has meant a significant cost shift to Local Government right across the State of Victoria.

INFRASTRUCTURE GAP

- Since the introduction of the Accounting Standard AAS27 in 1992, Council is faced with a depreciation bill of \$1.7 million for its roads and bridges infrastructure.
- Whilst Council has worked hard to fund this depreciation and maintain its infrastructure, it still has an infrastructure spending gap of 23% or \$425k.
- Prior to 1992, these assets were regarded as a 'shared responsibility' between State, Local and Federal Government. Golden Plains is currently responsible for 872 Ks of sealed roads and 927 Ks unsealed roads.
- Although these road assets are, in the main, constructed on Crown Land, the Accounting Standard AAS27 'shifted' the cost and funding burden to the shoulders of Local Government.

FAMILY DAY CARE

- Family Day Care, a Commonwealth funded service, was introduced to Golden Plains in 1996 on the pretext that Council would deliver a valuable service at very low or minimal cost to ratepayers.
- Since the introduction of the service in the 1996/1997 year, the deficit has risen from \$0 to \$36,000; a cost that is now funded by the general ratepayer.
- Family Day Care Quality Assurance Accreditation has been introduced in 2002/2003 and embraced by Golden Plains Family Day Care staff. However, the Federal Government has not recognised it in its funding formula.
- Councils now face this cost shifting in the knowledge that they will have to endure a political backlash if they attempt to withdraw from the service.

COMMUNITY DEVELOPMENT

- 'Start up' funding has been provided to Council by the Federal Government's Regional Solutions Programme for Council to provide community development planning [CDP] in 18 townships. Council and residents have supported this program, with CDP bringing a number of benefits to our communities.
- Council makes a matching contribution to the Government grant; however, there is no ongoing recurrent funding guaranteed.
- The estimated annual shortfall on this program is \$60,000 per annum.