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MANSFIELD SHIRE

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Mansfield Shire Council
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Dr Ron Ben-David
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Dear Dr Ben-David

RESPONSE TO THE LOCAL GOVERNMENT RATES CAPPING AND VARIATION FRAMEWORK REVIEW

Thank you for the opportunity to provide this submission in relation to the draft blueprint for change, Local Government Rates capping and variation framework review draft report.

Mansfield Shire Council is a small rural municipality situated in the North East region. The municipality is made up of several small towns surrounding Mansfield. The area is important to Victoria's tourism but has an ageing population. The rates base covers approximately 7400 ratepayers, totalling a budgeted income of \$7.4m.

Our challenges in maintaining infrastructure and services are increased with the introduction of rate capping, coupled with the reduction of available state and federal funding and the freeze on Victorian Grants Commission funding to councils. Further to this, legislative fees (planning) have been stagnant for some years while costs of administrating these services increase.

A small rural council such as Mansfield has little or no ability to generate additional income or opportunities that larger councils do to generate alternative income.

Mansfield's Councillors have kept rate increases low over the past 3 years in recognition of the cost burden on Victorian families, with the 2015-2016 rate increase set at 3.4%. Even at this level we currently have limited capacity for the required increases to asset renewal which will lead to a reduction in service. Any further reduction will lead to very tough decisions regarding the provision and ultimate reduction in services and infrastructure, neither of which will be tasteful to the community.

The rate capping framework proposed by the Essential Services Commission as leaving Mansfield Shire Council with 4 broad options:

- reduce expenditure in line with the rate cap, which will lead to reduced services
- increase debt, requiring increased debt servicing in future years
- reduce asset renewal, leading to a gradual decline in services
- apply for a variation.

While debt levels are low in the Local Government sector and in Mansfield Shire, the impact would be to shift the burden of costs to future generations. The provision of services and maintenance/renewal of assets funded by debt is not a sustainable option in the longer term. The aversion to using debt as an option is at odds with the political discussion at a State and Federal level, making it a difficult option for Council's to pursue at a local level.

The rate capping process is encouraging a community participatory approach to managing Council business rather than the current representative approach to budgeting. While this has positive benefits, it will most likely impose additional expense on councils to demonstrate sufficient evidence for a variation.

The timelines proposed for application and decision on a variation from the ESC is not realistic and will result in delays for Councils meeting their legislative requirements in finalising their budget. The process of budgeting is lengthy and requires the budget to be out for public comment by the end of April, to ensure submissions are heard and budgets are adopted and delivered to the Minister by 30 June each year.

A small rural Council, such as Mansfield, with limited resources is already stretched to meet these legislative requirements. The variation process would further stretch resources and incur additional costs in the process and in evidence gathering to support the variation application.

There is no capacity for Council to fund or contribute to the operations of the ESC. This should be funded by the State Government.

While we are cognizant that rate capping will be implemented we ask the ESC and Minister to be mindful of the impact on small rural councils, the financial strain on Council's resources and the ability to provide services to the Community. In local government one size does not fit all.

Yours sincerely



Alex Green
Chief Executive Officer