Latrobe City Council's Submission

Parliamentary Inquiry into Local Government Sustainability

May, 2024

Executive Summary

The Latrobe City Council's submission to the Parliamentary Inquiry into local government sustainability names several pressing issues and offers suggestions for their resolution.

Impact of industry closure:

Closure of major industries like timber and coal powered energy generation affects revenue and requires significant investment to replace that revenue. Increased support is needed to mitigate the economic impact of these closures and support industry transition.

Financial sustainability:

Council relies heavily on the Federal Assistance Grants Program. Council understands that the current funding level has diminished to 0.5% of income taxes. We encourage the Australian Government to reconsider this decision and formulate a roadmap to return the rate to the 1% benchmark, alleviating financial pressure and allowing the Council to better invest in and support our aging infrastructure base.

Revenue challenges

The Victorian State Governments restrictions on rate increases lead to underlying deficits. Increasing external source revenue is essential to cover operational costs and asset renewal. Support from both levels of government is crucial for funding initiatives to bolster economic growth.

Shifting government policies and priorities:

Changes in government policies and priorities require adjustments in service delivery and infrastructure requirements, adding pressure to the budget. Improved collaboration between government levels is needed.

Workforce attraction and retention:

Recruitment challenges in specialist fields hinder service delivery. Enhancing local educational opportunities and improving regional liveability will support attracting and retaining skilled workers. Government support is needed to address these challenges.

Submission

The financial sustainability and funding of local government.

The Federal Assistance Grant program was provided to councils with an amount equivalent to 1% of income taxes received by the federal government. The Council understands that this funding level has now diminished to 0.5%. We encourage the Australian Government to reconsider this decision and formulate a roadmap to return the rate to the 1% benchmark, alleviating financial pressure and allowing the Council to better invest in and support our aging infrastructure base.

Our financial challenges extend beyond funding from the Australian Government. Our long-term financial plan shows that the Victorian State Governments restrictions on annual rate increases, or rate capping is putting downward pressure on the budget. Data suggests we will have an underlying deficit over the next four years. Our revenue sources, including rates, fees and charges, recurrent funding, and grants commission allocations will need to be increased over time.

For context, over the last four years Consumer Price Index (CPI) has increased by a total of 15.8%, while Council has been restricted to total increases of 7.75% over the same period under the rate cap imposed by the Victorian State Government. Council's basket of goods is substantially different to that measured by CPI with much larger increases experienced in areas such as petroleum-based products, utilities and particularly construction where our experience is that these costs have increased by closer to 25% over the same period. Council continues to explore all options to support financial sustainability, but the rate cap is a considerable factor.

The efforts of the Council are further hampered by the closure of major industries like native timber harvesting and coal powered energy generation, both significantly affected by major shifts in government policy. For context, Council currently collects approximately $7.5 million, almost 10% of its annual rate revenue, from these industry providers. When considering the loss in revenue in a singular power station context, the cost to replace the annual income received from one of the power stations would require $680 million of capital-improved investment in the region. This is equivalent to approximately 1,100 new homes.

The indirect impact of the industry closures on Council's financial sustainability and the overall liveability and wellbeing of the Latrobe City community remains uncertain. With the local economy projected to shrink considerably, the potential for detrimental flow-on effects is significant. These effects may include population loss and additional business closures, further impacting the Council's ability to collect rate revenue.

Moreover, a decrease in our community's financial sustainability could necessitate an increase in local services to provide greater wrap-around support. We welcome greater collaboration and support packages to ensure our community continues to thrive.

Council's capacity to boost own source revenue is hampered by external factors such as job creation, industrial development, housing expansion, and liveability enhancements, all crucial elements of our advocacy agenda and transition strategy. We welcome heightened investment and support from both levels of government to advance these initiatives. However, without a viable solution to grow revenue and secure increased state and federal funding Council will be required to streamline our asset base, seek to reduce services and service levels and, in turn, experience diminishing asset conditions.

Unexpected shifts in government priorities and policies can also affect financial sustainability. For example, recent changes introduced by the Victorian State Government to the waste services levy left a considerable gap in the Council budget. Despite the financial impact, the decision was made without any consultation with the sector and with an unreasonably short implementation time of 6 months.

Long-term social policy can also create unintended impacts in the community. Policies guided by the Department of Education Australia and the Department of Social Services can influence the general socio-economic, cultural, and environmental conditions of the community, affecting the infrastructure and workforce requirements. More comprehensive engagement is needed when policy is being determined.

The changing infrastructure and service delivery obligations of local government.

The changing infrastructure and service delivery obligations of local government are increasingly influenced by the heightened vulnerability of our community to natural disasters. Recent years have seen us grappling with major bushfires, floods, and landslips from storm events, necessitating adjustments to our infrastructure to ensure community safety and requiring Council to pivot priorities to rectify any damage. While we appreciate the support provided by both state and federal governments in the aftermath of these disasters, we need a solutions-based approach to future-proof our infrastructure, particularly in high-risk areas. We would welcome a whole of government approach to future-proof infrastructure in high-risk settings.

The escalating frequency of severe weather events nationwide underscores the importance of a robust support system with clearer guidelines about event eligibility for monetary and resource support. Early declaration of events would mitigate uncertainty and enhance efficiency. Establishing upfront eligibility criteria could be a possibility.

Changes in government policies, such as those related to childcare and kindergartens, often require adaptations in local government service delivery and additional assets to be added to the portfolio. For instance, shifts in kindergarten policy has needed more infrastructure, leading to increased maintenance costs and further pressure on the Council budget. Due to insufficient funds available for the on the ongoing maintenance and renewal of its assets there is an annual renewal shortfall of $7,960,090 over a 10-year period. As previously stated, Council would welcome improved collaboration between all levels of government when policy is being set. This will allow the local government sector to communicate the real cost impact of the decision regarding workforce and ongoing infrastructure requirements and help the government better plan for the delivery rollout.

Inappropriate allocation of responsibilities to the local government sector (cost shifting) negatively affects Council finances. As the closest government agency to the community, the local government sector will often become the de facto service provider or responder, negatively impacting Council finances. Over time, the funds received to deliver services through funding agreements do not increase in line with real costs, which adds pressure to meet service obligations within financial constraints. Some examples of cost shifting include libraries, maternal and child health services, school crossing supervisors and kindergarten infrastructure.

Changes in consumer habits and customer expectations put added strain on Council resources. The community now expects fast, efficient, and easily accessible services available around the clock, mirroring the standards set by major private corporations. The staffing and technology costs to set up such services are out of reach for most local government areas, and the standardisation of some technology platforms could help provide services that are aligned with community expectations. Council notes that the core issue of inappropriate allocation of responsibilities between the levels of government needs to be addressed.

Any structural impediments to security for local government workers and infrastructure and service delivery.

Council identifies shifts in government policies or priorities as significant impediments to our budget's financial sustainability. Notable instances include Kindergartens and waste management. We further emphasise the necessity of improved collaboration during policy development to accurately assess real cost impacts.

While Council has set up various operational policies with safety as a top priority, including those governing customer behaviour, social media usage, occupational violence prevention, and handling customer complaints, it's crucial to recognise their limitations. One notable challenge is cybersecurity, with cyber threats evolving rapidly alongside technological advancements. Standardisation of technology platforms across all levels of government may help address cybersecurity concerns. Furthermore, the dynamic nature of social media platforms underscores the need for improved regulatory frameworks to adapt to changing environments effectively.

Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices.

Council has pinpointed four primary specialist fields that pose significant recruitment challenges: Planning, Engineering, Municipal Building Surveyors, and Environmental Health Officers. These challenges stem from various factors, such as mismatches between job opportunities and local education and demanding certification requirements that may not align with the regional context. The aging workforce is also a barrier.

Studies show that 70% of individuals who study in a region tend to remain there. Given the Council's role as a major employer in the region, enhancing educational opportunities locally, especially in these priority sectors, could help overcome employment barriers and support population attainment and growth, which is crucial for the region's sustainability post-transition from coal powered energy generation. Increases in population will also support Council to boost its own source revenue. For instance, the local university and TAFEs in the Latrobe City area do not offer degree or diploma programs in planning. This is a significant recruitment obstacle; the Council would welcome a coordinated government effort to address this shortfall.

Encouraging graduates to move from urban centres like Melbourne poses a significant challenge. Therefore, enhancing the liveability of regional cities is vital for attracting population. In Latrobe City, key focus areas include improving the efficiency and reliability of the train line to open recruitment opportunities from neighbouring municipalities and supplying access to homes.

Leveraging Latrobe City's abundant land resources for housing development could alleviate shortages in the housing market. Council would welcome support from the Australian Government to help boost the housing supply, particularly for in-demand fields such as healthcare. Council would also encourage the Australian Government to consider implementing a scheme to incentivise land bankers to sell. Boosting land stock and, in turn, housing availability.

Another factor that could help the local government sector attract and retain staff is applicability thresholds for Fringe Benefits Tax (FBT) on the local government sector. The removal of FBT on certain benefits would increase the ability of Council to attract skilled workers into the industry.

Council would encourage a coordinated approach to promote and improve the attractiveness of the local government sector as a career path.

The role of the Australian Government in addressing issues raised in relation to the above.

This submission outlines several key areas where Latrobe City Council seeks support from the Australian Government, including:

Impact of industry closures:

- Invest in key areas that will support our industry transition.

Financial support:

- Reconsider the Federal Assistance Grants Program percentage and return it to the earlier 1% benchmark.

Revenue challenges:

- Address state government restrictions on rate increases causing deficits.

Infrastructure and service delivery:

- Future-proof infrastructure and set clearer eligibility guidelines for support during severe weather events.

Policy Changes:

- Improve collaboration between all levels of Government to communicate real cost impacts and plan for workforce and infrastructure requirements.
- Reconsider responsibilities to ensure alignment with the right level of government.

Investment:

- Implement incentives to encourage land bankers to develop to boost local housing stock.
- Standardise technology platforms across all levels of government to minimise cost and improve efficiencies.

Workforce attraction and retention:

- Enhance local educational opportunities and improve liveability to attract and retain skilled workers.

We thank the Australian Government for their interest in this area. If you require any further information, please contact Shae Hansen our Senior Strategy and Advocacy Advisor on 0459 847 411 or Shae.Hansen@latrobe.vic.gov.au.

Yours sincerely,



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