



Media Release

Hindmarsh Shire Council to seek rates cap variation

At its meeting on 3 May 2017, Hindmarsh Shire Council determined to submit an application to the Essential Services Commission seeking a variation to the state government applied rates cap.

Hindmarsh Shire Council Mayor, Cr Debra Nelson said, “In December 2016, the Victorian Government set the maximum amount councils may increase their rates in 2017/18 under the Fair Go Rates System to 2%. Council firmly believes that ratepayers should not be subject to ongoing high annual rate increases, however, we find ourselves in a very difficult financial position.”

“We provide 100 different services in a municipality covering an area of 7,500km² and manage a substantial amount of infrastructure, including 3,177km of roads, six bridges and 27km of pipes/drains. To undertake all of this work in 2017/18, 43% of our income comes from rates and charges and 42% comes from state and federal government funding. Our challenge is that this government funding has reduced over time. Examples are the discontinuation of the \$1m state government roads and bridges funding and the federal government’s freeze of the Financial Assistance Grants’ indexation which has taken more than half a million dollars out of our budget over the last three years.”

Cr Nelson added, “On top of the reduction of external funding, rates, which form the other major part of our income, have been capped at a 2% increase. The resultant significant sustainability challenge we and the other small rural councils are facing is well acknowledged by the Victorian Auditor-General’s Office (VAGO) and the State Government.”

Adam Fennessy, Secretary of the Department of Environment, Land, Water & Planning, commented in his response to VAGO’s “*Local Government: 2015–16 Audit Snapshot*” released in November 2016 which highlighted these challenges: “The financial sustainability of small rural councils is also noted. My department is aware that small rural councils face a particular set of challenges. These include structural challenges of large geographic areas, extensive road lengths and a higher dependency upon government grants. These factors together with limited own

source revenue opportunities and lower capacity of rural communities to meet additional costs creates a challenging financial sustainability environment.”

Cr Nelson continued, “Where the average rate cap is insufficient to a council's specific needs, councils can apply to the Essential Services Commission for a higher cap. With the Victorian Government’s budget failing to address the sustainability challenge in a meaningful way, Council has reluctantly decided to seek an additional 2% above the rates cap.”

“In doing so, we are pursuing a three-pronged approach: We are creating efficiencies and savings within our business, we are continuing to seek additional funding from the state and federal governments and we are pursuing a variation to the rates cap.”

“2% above the rate cap would provide an additional \$144,000 for our budget. That’s the equivalent of an extra 165km of grading or 80km shaping a dry weather road. On the other hand, we are very conscious of the fact that for our community, a 2% increase above the rate cap would mean an additional cost. A \$150,000 residential property would pay an additional \$26/annum at the regular 2% rate cap, or \$43/annum if the cap was increased to 4%. A \$750,000 farming property would pay an additional \$78/annum at the regular 2% rate cap, or \$154/annum at 4%.”

”As much as enabling us to continue to provide day-to-day community services such as community care, kindergartens or libraries and maintain our infrastructure at the levels required by our community, we see the variation process as an opportunity for the Essential Services Commission to independently review our long term financial planning. If it determines the variation to be justified, this adds weight to small rural councils’ argument that the current funding model for local government is broken and needs fixing.”

“Much has been made in the press of the wastefulness of some councils. With one of the smallest annual budgets in the state we have always been very prudent housekeepers. This is not about a free pass for Council to be wasteful or spend funds irresponsibly. It is about acknowledging that the services and infrastructure our residents rely on cannot otherwise be maintained in the medium to long term. These services already are well below the services available to our metropolitan or even regional counterparts. It also acknowledges the devastating impact a reduction in services would have on the sustainability of our communities themselves.”

Cr Nelson concluded, “Council will formally consider whether the variation of the rates cap, if approved by the Commission, will be implemented during its 2017/18 Annual Budget process. Further information and feedback forms are available from Council’s website.”