

August 2014

Letter from the Mayor

Funding Advocacy

Dear Resident,

Recently I indicated that we would be speaking with our community about the financial challenges that continue to face us and options that would need to be considered in that process.

As ratepayers you will no doubt be aware of the wide range of new assets that came to Council through the State Government and the Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) as a result of the generosity of the Australian people following the 2009 fires. These new assets are valued at approximately \$33 million and they have resulted in substantially increased costs for Council associated with their operation, maintenance and also their renewal as they age.

The annual cost of managing these assets previously was \$1,040,000; now with the addition of the new assets it is \$2,804,000. This means an average **additional** annual cost of \$1.76 million each year which is currently unfunded. In addition, we will now be significantly affected by the Federal Government's freeze on its Financial Assistance Grants. There is also a decline in our rate base due to the slow rebuild of houses, buildings and businesses that were lost and the State Government buyback of some 85 properties, so consequently we receive less income.

We have worked hard to find savings internally through the Services Review to deliver substantial ongoing savings each year plus a one-off capital injection through the sale of assets. Whilst these measures provide significant benefit, they will not 'bridge the gap'.

Since 2012 therefore, Council has been conducting an advocacy campaign focused on obtaining further support from the Victorian Government so that the unintended consequences of the generosity experienced and the infrastructure provided are recognised and to address this funding shortfall.

However on 26 June 2014, following a meeting with Councillors, the Minister for Local Government Tim Bull advised Council that "the Government has no plans to provide further financial assistance in relation to your gifted assets".

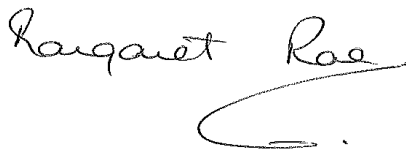
As your Council, we are continuing to maintain pressure on the Victorian Government, particularly in the light of the upcoming election, and we are also actively discussing our situation with the Opposition and independents. However, we need to be realistic and to consider what alternative options might be undertaken if our efforts are unsuccessful.

Attached to this letter you will find an outline of the actions under consideration to bridge the \$1.76 million annual gap. We have also asked Council officers to develop costings around each action to give us all a clearer picture of where and to what extent savings may be made and/or revenue increased. These will be shared with you when they are developed.

We are committed to creating a strong and viable future for our Shire but there is no doubt that currently we are faced with a financial burden and need to work together to develop an approach that will address this challenge. I encourage you to read the proposals for consideration and to discuss these with family, friends and candidates for the forthcoming State elections, as well as providing your feedback so that it can be taken into consideration as Council makes its decisions.

Thank you for your time.

Yours faithfully,



Margaret Rae
Mayor

Options for consideration

These proposals can be considered individually or in any combination to assist in achieving the necessary outcome.

Option 1 - Rate rises

A recent survey of small rural shires shows that the average increase for council rates in 2014-15 is 5%. This is substantial and is occurring in shires which are not dealing with the consequences of a massive natural disaster.

One strategy would be to increase rates to approximately 8% each year until 2023/24. This would result in Council raising the funds for servicing and renewal of the gifted assets. A second strategy would be to implement a significant rate rise in 2015/16 of approximately 18%, before reducing back to 6% for every year to 2023/24. This would generate around the same amount of additional rates over the next 10 years.

Option 2 – Differential rating categories

Council will also be completing its review of differential rating categories to identify particular land-use classes where there may be an increased capacity to contribute to rate revenue or create an incentive to encourage the development of land. For example a higher differential could be applied to the commercial sector to contribute to the costs for economic development and tourism, or a differential could be applied to encourage the development of vacant land in appropriately zoned areas. Each of these has the potential to increase the rate revenue.

Option 3 – Asset sales

Council has already sold land and buildings that were not being used by the community as part of the Services Review. There may be others which could also come under consideration. A positive effect of this would be to provide a one-off boost to Council's income, and it would also deliver recurrent savings as Council would no longer need to maintain, operate, insure or plan to replace or renew the asset at the end of its life.

However, some assets that are owned by Council are situated on Crown land, which may inhibit or preclude realisation of the value of that asset, given the land itself could not be sold.

Option 4 – Transfer of support for community assets not owned by Council to the Victorian Government

Council has, over time, taken on the responsibility of operating, maintaining, renewing and/or insuring many community assets that are not owned by us. Most of these assets are owned by the Crown and are the ultimate responsibility of the State Government Department of Environment and Primary Industries. We are not financially compensated for these costs and without financial compensation Council may consider reducing or discontinuing this support.

Increasingly we have been working with community groups to assist them in the development of viable business plans to generate sufficient revenue to provide for the annual recurrent and maintenance costs of running particular buildings. If this approach were extended to all community buildings, further ongoing savings could be made.

Option 5 – Review of capital expenditure

Council undertakes a range of capital works each year that could be reduced and the allocation of resources to capital works needs to be rigorously reviewed. This could have a positive effect in a given year by reducing the level of expenditure; however, there is also the potential for a negative effect of reduced quality if/when more costly renewal becomes necessary because of the deferral of works.

Option 6 – Review of Council services

Council provides a range of services to the community that could be reduced in level or ceased entirely. These services were extensively examined in the Services Review in 2012/13, which resulted in annual operational savings of approximately \$1.6 million. However, further service level reductions in order to reduce costs are now limited and have the potential to significantly impact the community.

What you can do

We encourage you to find out more about these choices by visiting our webpage at www.murrindindi.vic.gov.au/fundingadvocacy, or go directly to any of our offices at Alexandra, Kinglake and Yea.

We are asking you to provide feedback about these choices. This can be done via:

- our new dedicated Facebook page at facebook.com/mscfundingadvocacy or search for us on Facebook under 'Murrindindi Shire Council Funding Advocacy';
- our webpage at www.murrindindi.vic.gov.au/fundingadvocacy; or
- direct to any of our offices at Alexandra, Kinglake and Yea.

Your Councillors are also available to discuss these issues and their contact details are as follows:

- Redgate Ward - Cr Margaret Rae
 - Email: mrae@murrindindi.vic.gov.au Ph: 0427 129 250
- Cheviot Ward - Cr John Kennedy
 - Email: jkennedy@murrindindi.vic.gov.au Ph: 0419 993 957
- Eildon Ward - Cr Bernie Magner
 - Email: bmagner@murrindindi.vic.gov.au Ph: 0417 909 072

- Kinglake Ward - Cr Andrew Derwent
 - Email: aderwent@murrindindi.vic.gov.au Ph: 0419 935 793
- Cathedral Ward - Cr Christine Challen
 - Email: cchallen@murrindindi.vic.gov.au Ph: 0419 552 020
- Koriella Ward - Cr John Walsh
 - Email: jwalsh@murrindindi.vic.gov.au Ph: 0408 013 237
- King Parrot Ward - Cr Cris Ruhr
 - Email: cruhr@murrindindi.vic.gov.au Ph: 0459 066 637

We would welcome your feedback by 30 September 2014.

We also encourage you to speak to any of the candidates for the forthcoming State elections about support to the Murrindindi Shire community.