

Submission to the Victoria Grants Commission

Nillumbik Shire Council
February 2016

Introduction

Nillumbik Shire Council welcomes the opportunity to provide a submission to the Victoria Grants Commission regarding the grants allocation methodology.

This submission highlights key aspects of Nillumbik Shire and its financial challenges, and then makes two recommendations regarding the methodology, which are:

- Use population (instead of the number of dwellings) as the major cost driver for the waste management expenditure function
- Modify the major cost driver for Environment to take account of conservation needs in addition to environmental risks

About Nillumbik

Nillumbik is known as the Green Wedge Shire. It covers an area of 432 square kilometres and has an estimated population of 62,872 who live in close-knit communities which range from suburban streets to remote rural farming properties north-east of Melbourne.

While 90 per cent of the municipality is rural, only about 10 per cent of the population reside in the rural area. Although the urban area has around 90 per cent of the population, it also retains areas of significant environmental value.

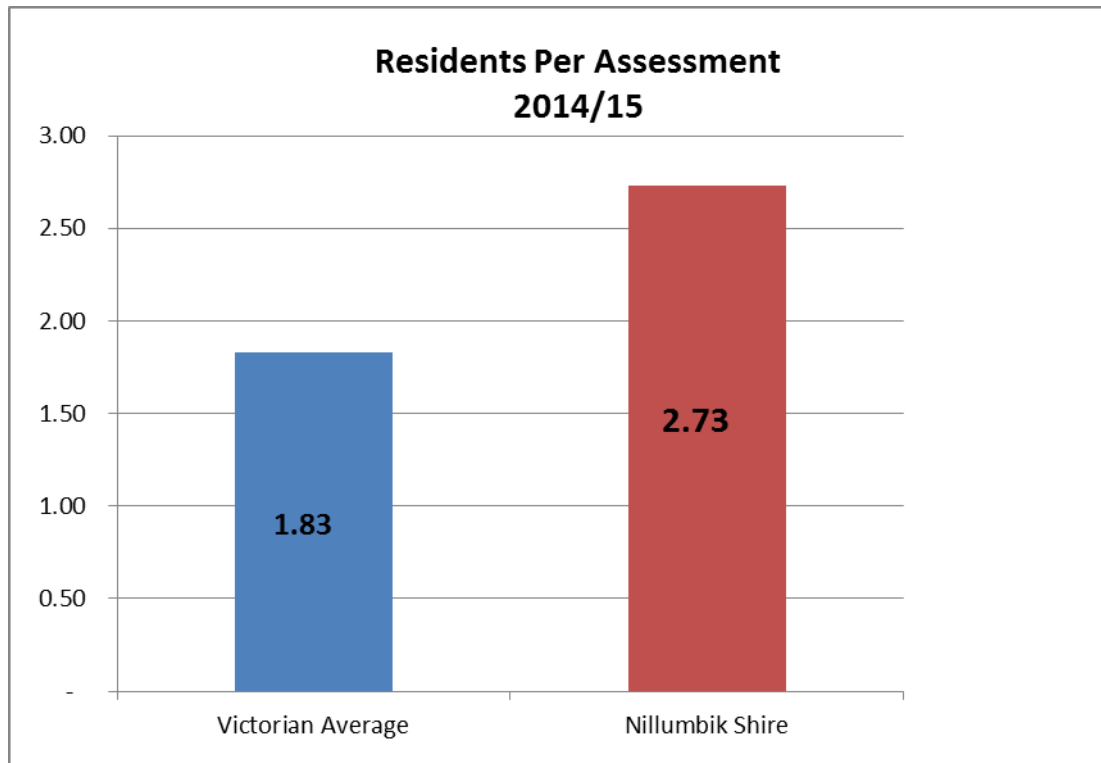
With Nillumbik recognised as one of Melbourne's Green Wedges, there is a high expectation of stewardship regarding land management and environmental protection across the shire, which results in additional direct and indirect costs for Council. State policies such as *Melbourne 2030* have long recognised the fact that green wedges enhance the liveability and amenity of all Melbourne. However, this stewardship responsibility to conserve the natural environment (on behalf of the greater Melbourne community) places additional pressure on Nillumbik Shire Council's finite resources.

Nillumbik's natural environment is also highly susceptible to natural disasters in the form of fire or flood. This places additional pressure on Council to fund emergency management planning and preparedness for the Shire.

Apart from Council's responsibilities for green wedge management, demographic factors also place disproportionate pressures on Council's finances.

As illustrated in the following graph, Nillumbik's resident population per assessment is 2.73 compared to the state average of 1.83.

This ratio is 49 per cent above the state average, and the highest in Victoria. This means that each rate assessment in Nillumbik has to fund the needs of 2.73 residents, compared to the Victorian average of each rate assessment funding 1.83 residents' needs. In other words, Nillumbik rate assessments have to work 49 per cent harder than those in the average Victorian municipality to pay for services to meet residents' needs.



In summary, Nillumbik faces particular challenges in regard to:

- Green Wedge conservation responsibilities
- Emergency management
- Victoria's highest population-to-assessment ratio

Council acknowledges that it is beyond the Commission's role to address Nillumbik's structural and demographic issues. However Council considers that the particular combination of circumstances in Nillumbik warrants serious consideration of the following recommendations by Council regarding changes to the Commission's grant methodology.

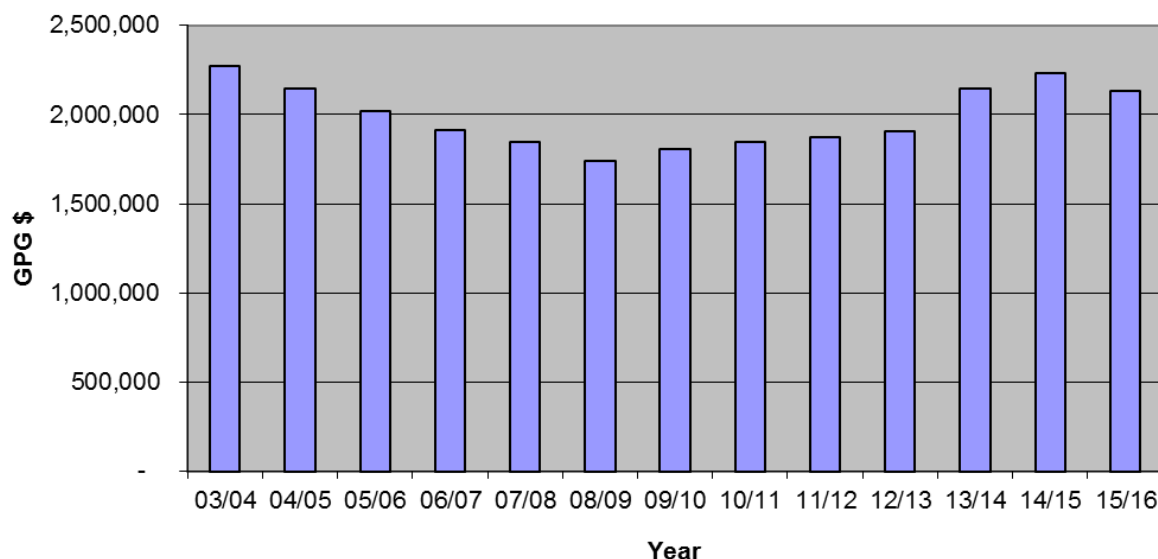
General Purpose Grant trend

Nillumbik has experienced a long-term decline in the real value of its General Purpose Grant, as shown in the following chart.

The cumulative impact of this decline since 2003-2004 has been \$3.6 million in nominal terms. In real terms (inflation-adjusted), the impact has been in the order of \$11.8 million.

In 2015-2016, Nillumbik's General Purpose Grant was reduced again, and was \$141,000 less than it was in 2003-2004.

**Victorian Grants Commission
General Purpose Grant Received
2003/04 to 2015/16**



In view of this long-term decline in Nillumbik’s General Purpose Grant, Council offers the following recommendations for consideration by the Commission. These recommendations are consistent with matters raised by Council during the Commission’s visit to Nillumbik in late 2015.

Recommendations

Waste management

Council reiterates the recommendation made in its 2015 submission, which proposed that the major cost driver for waste management be changed to include population. This is recommended on the basis that a higher population will generate a greater volume of waste.

Currently, the major cost driver for waste management is measured solely on the number of dwellings.

Analysis by Council (as previously communicated to the Commission) has shown that waste management costs are evenly distributed between collection costs and disposal costs.

Adjustment of the major cost driver for waste management to include population would take account of this issue.

It would also address the unfair advantage that the current model provides to municipalities with a high number of holiday homes. Currently, the grant to these councils assumes that these holiday homes generate the same amount of waste as permanently-occupied dwellings.

Environment

Council also recommends that the Commission reviews the major cost driver and the cost adjustors for the environment expenditure function.

At present, the major cost driver is population. However the population of a municipality is not a significant determinant of the required level of expenditure on the environment by each council. Various other cost adjustors are also used, which include environmental risk, population dispersion, population growth, remoteness and scale. However, none of these cost adjustors take account of the environmental values of the land within each municipality.

Council considers that the methodology should take account of the natural environmental features of each municipality. This could include assessment of the quality and extent of conservation and habitat areas, and the financial demands that this places upon Council in terms of environmental works, flora and fauna protection, weed and pest control, and environmental planning controls and policy.

Council acknowledges that this approach would require the Commission to identify reliable and objective measures to allow assessment and comparison of the needs of each council.

One tool that may be useful in this regard would be to measure the extent of each municipality that is covered by Environmental Significance Overlays in the planning scheme. However the Commission may also be able to identify other tools that would assist in this regard, or may be able to commission some research to inform future changes.

Council has responsibility for management and conservation of the Nillumbik Green Wedge on behalf of the wider Melbourne community. Council considers that the adjustment of the methodology in respect of the environment expenditure function would more properly reflect the cost burden which rests upon Nillumbik ratepayers in this context.

Conclusion

Council looks forward to the Commission's favourable consideration of these two recommendations.

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