

Friday 16 March 2018

REF: SB180315LG-igvt

Electronic Submission



Please find attached the submission of the Victorian Farmers Federation in relation to the Local Government Exposure Bill 2018.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Jochinke". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Jochinke
President

Victorian Farmers Federation



Submission in response to the
Local Government Exposure Bill
On behalf of the
Victorian Farmers Federation



OUR PLACE IN VICTORIA

What we do

-  Victoria's **20,775 farms** cover **10.6 million hectares**
- We are **24.2%** of Australian farmers
- 91%** family operated, with only **2%** foreign owned
-  We employ **87,800** people mostly in regional areas
- \$4739** of food consumed each year by every Australian
- As a net exporter we have long term food surity
-  Our annual production is **\$13.16 billion**, **3.5%** of Victoria's economy
- 27.8%** of Victoria's exports are agricultural product valued at **\$11.9 billion**

How we do it

-  Farmers invest **\$80 million** in R&D
- Every R&D **\$1** converts to **\$12** in farmer generated impact
- 2.7%** productivity growth through innovative efficiency gains
- Farmers receive less than **1.5%** in government support
-  **63%** reduction in greenhouse gas emissions between 1996-2016
- Water consumption reduced by **7%** from 2014-2015
- Land conservation has increased to **18%** of total land mass.
- Farmers spend **\$20,000** annually on feral animals and pest weeds
-  **3.5 million** beef cattle
- 22.7 million** chickens
- 1.1 million** dairy cows producing **6.186 billion** litres of milk
- 65,992** sows
- 13.1 million** breeding ewes and a fleece clip of **66,100 tonnes**
- 9 million** tonnes of grain
- \$2.35 billion** in horticultural production

Victorian Farmers – Our Place in Victoria



Victorian Farmers Federation

Making Victorian farmers lives better; enhancing Victoria's future.

MISSION: A community of farmers creating a profitable, sustainable and socially responsible agricultural industry connecting with all Victorians.

The Victorian Farmers Federation is an active, powerful lobby group dedicated to the interests of farmers and making a difference to communities. With a strong record of successful political and industry advocacy and leadership, the VFF has generated substantial benefits for the agriculture sector since its formation in 1979.

Even though farming has its own natural challenges from droughts, bushfires and floods, our members have collectively earned the VFF a reputation as a respected leader, strong voice and lobbyist.

The VFF consists of eight commodity groups; dairy (United Dairyfarmers of Victoria), livestock, grains, horticulture, chicken meat, eggs and pigs, and Flowers Victoria – and expert committees representing; water, land management, agricultural and veterinarian chemicals, farm business and rural development and workplace relations.

VFF members lead these groups and committees with the support of Melbourne and regionally based staff. As a team, we provide the power to effectively influence all levels of government on the wide range of issues that impact modern farming.

Our vision is to create an environment for farmers that enables profitable, safe and sustainable production, within a community that values and respects the farm sector.

Victorian Farmers Federation – Key Overview

Across Victoria there is increasing concern regarding the role of local government and whether state regulation of council's ensures best value. This is exacerbated in rural and regional councils where the issue of financial sustainability is reaching crisis point. Failure to clearly state the purpose of council and to link budget and reporting processes to statutory roles leads to situations like that experienced by our member in Ararat last year. Poor processes can lead to decisions that threaten the viability of key industries and employment in the regions.

The Exposure Draft does not take up the opportunities that the State has to clearly define the role of council. Councils have its powers wholly established by State Government and therefore the enabling legislation should place clear expectations as to the roles and functions on councils and the limits to its powers.

The exposure draft will exacerbate the problems that led to the introduction of 'rate capping'. It fails to outline that the main role of Council is to operate in accordance with a wide range of statutes to deliver services. By supporting a wide range of activities of State and Federal Governments, this effectively delegates responsibility to local council without providing the associated necessary funding base. Furthermore, this enables the pursuit of activities that may represent sectional councillor interest over broader community need.

By failing to outline key 'base line' services for Councils to deliver as a priority, the Bill will not resolve the funding issues or ensure that Councils focus on the key services their communities expect to be delivered.

VFF seek the following changes:

- Rewriting of Division 1 to:
 - a. Clearly describe core statutory responsibilities of council (via reference to statute);
 - b. Require the exercise of council duties and responsibilities in accord with Victorian Government statute and policy;
 - c. Limit advocacy to seeking a change to statute or policy on behalf of the community;
 - d. Establish a maximum expenditure of 5% for any non-statutory role or activity;
 - e. Establish a statistically significant survey process to demonstrate clear 'whole of community' support for any non-statutory role or activity; and
 - f. Require mandatory training for councillors and executive on statutory roles and responsibilities.
- Rewriting of Division 3 to clearly state that a local law cannot be gazetted which is contrary to an existing statutory requirement (eg livestock on roads).
- Revising Division 4 to:
 - a. Introduce mandatory reporting on how each council activity responds to a statutory responsibility;
 - b. What percentage and dollar expenditure of the budget relates to each statutory duty;
 - c. Clear reporting on funding of discretionary action;



- d. Applying 'asset gap' principles across all statutory responsibilities so that strategic plans, budget and reporting areas to indicate the 'gap' between the expenditure and total compliance with the duty (eg amount spent on pest plant and animal management responsibilities under the Catchment and Land Protection Act vs amount required to wholly comply with council's duty); and
- e. Specify that in regional Victoria any council proposal or rating change should include a consideration of the impact of the proposal on agriculture.
- Introduction of a new division to place a levy on metropolitan councils to be distributed as grants for local regional road infrastructure projects – recognising urban communities utilise these roads even if they do not travel to these areas (food and fibre).

These actions are critical to ensure transparency and good governance. The community has lost confidence that Councils are focused on getting the basics right. They want to see that their rate money is being spent appropriately and for the best interests of the community as a whole.

Victorian Farmers Federation – Our Position

1 Clarity the role and powers of Council relate to their delivering of Government statute and policy

Changes sought

- Rewriting of Division 1 to:
 - a. Clearly describe core statutory responsibilities of Council (via reference to statute);
 - b. Require the exercise of their duties and responsibilities in accord with Victorian Government statute and policy;
 - c. Limit advocacy to seeking a change to statute or policy on behalf of their community;
 - d. Require mandatory training for councillors and executive on statutory roles and responsibilities.

Rationale

The history of Local Government in Victoria was via the establishment of 'Roads Boards' charged with the provision of local infrastructure. While the role of local government has changed over the years to include a range of physical and social infrastructure, the general principals focus on basic transport and community safety.

This role is not unfettered. The *Road Management Act*, the *Catchment and Land Protection Act*, the *Public Health and Wellbeing Act* and the *Planning and Environment Act* are just three examples of statutes which council must comply with.

The Victorian Auditor General's Report into compliance with the Planning and Environment Act highlighted several failures by council to meet the basic requirements of the Act. This places councillors at risk if they are not fully aware of the parameters to which they must comply in exercising their duties.

As many councils may not fully understand their statutory obligations and the limitations on local government this should clearly be stated in the enabling Act. Where council adopts a policy or regulatory position that is at conflict with, or exceeds, the state or federal regulation this often causes financial and safety impacts on industry and the wider community. Often there has been no regulatory impact statement prepared which would have identified conflict and perverse outcomes.

Governance standards and community confidence in Local Government should be improved by ensuring Councillors and senior management are trained in how best to exercise their duties and responsibilities under all relevant statutes.

2 Limit non statutory expenditure to 5%

Changes sought

- Rewriting of Division 1 to:
 - a. Establish a maximum expenditure of 5% for any non-statutory role or activity; and
 - b. Establish a statistically significant survey process to demonstrate clear 'whole of community' support for any non-statutory role or activity.

Rationale

Our members are increasingly frustrated at council spending money on discretionary projects when their local roads are degrading to hazardous levels and their farms are being invaded by thistle, gorse and blackberry seeds from council managed roads. A prime example is Hepburn Shire Council's draft Biodiversity Strategy. It goes beyond the state strategy, it didn't involve landholders in its preparation and rather than focusing on pest plant and animal management by council (statutory duties they are not fulfilling) it recommends rezoning farmland.

This project was justified via a targeted consultation with urban interest groups. The response to the draft has demonstrated that there is not wide community support for the project and it will require significant redrafting and a new consultation processes.

If council had been limited to a Strategy that focused on its duties and responsibilities a much more reasonable document would have been created. If a 'wider' focus was to be undertaken the cap on the budget would ensure that the project was well designed, worked with State policy and had community support.

3 Require Council's to base all their reporting (including budgets) on the key statutory function it relates to

Changes sought

- Revising Division 4 to:
 - a. Introduce mandatory reporting on how each Council activity responds to a statutory responsibility;
 - b. What percentage of the budget relates to each statutory duty;
 - c. Clear reporting on funding of discretionary action;
 - d. Applying 'asset gap' principles across all statutory responsibilities so that strategic plans, budget and reporting areas to indicate the 'gap' between the expenditure and total compliance with the duty. (eg amount spent on pest plant and animal management responsibilities under the Catchment and Land Protection Act vs amount required to wholly comply with Council's duty; and
 - e. Specify that in regional Victoria any Council proposal or rating change should include a consideration of the impact of the proposal on agriculture.

Rationale

For many years councils have had to report on their asset gap. Rather than achieving the desired outcome of prioritising spending on areas of greatest need it has often been utilised to justify rate increases.

It is rare for ratepayers to be actively involved in strategic planning or budget processes as the information is difficult to understand. Have transparent process based on key statutory duties will make it easier for the community to understand where the budget is being spent. It will also make it more difficult for council's to justify non-essential spending when essential service provision is not being resourced.

The rate burden is increasingly falling on productive agriculture. Our members often pay 10 times that of a residential property and receive fewer council services. The rate burden as a percentage of income is often a significant percentage of income. Furthermore, in difficult years the rate burden often are a major contributing factor to the 'losses' faced by farm businesses.

When council under spending on roads and weed management our members experience increased operational costs for agriculture in vehicle maintenance, travel time and chemical costs. Council should have to clearly declare 'underspend' and ratepayers should be able to see what projects have been funded in lieu of delivering key physical services.

To avoid 'Ararat' scenarios council's where agriculture is a key land use should need to clearly consider the impact of rating and other proposals on the prosperity of agriculture and the likely flow on effects on the economy and threshold populations for community services.

4 Ensure local laws do not conflict with state and federal regulation

Changes sought

- Rewriting of Division 3 to clearly state that a local law cannot be gazetted which is contrary to an existing statutory requirement (eg livestock on roads).

Rationale

The principles of interpretation of legislation would suggest that where a local law is in conflict with a state regulation then the state legislation should take priority. A good governance principle that should stem from this is to ensure local government does not duplicate or vary existing state or federal regulation.

Many councils are introducing local laws that duplicate or vary road laws or include impractical considerations – such as requiring bees to be maintained within the property. To ensure good governance the new Local Government Act should clearly state that council cannot seek to override regulation from a higher jurisdiction and that all Local Laws should be accompanied by a regulatory impact statement and be assessed for statutory compliance by a parliamentary counsel.

5 Implement a levy on metropolitan councils to contribute to a regional transport infrastructure fund to assist rural councils maintain the asset base.

Changes sought

- Introduction of a new division to place a levy on metropolitan councils to be distributed as grants for local regional road infrastructure projects – recognising urban communities utilise these roads even if they do not travel to these areas (food and fibre).

Rationale

The funding model for Local Government is unsustainable. Metropolitan councils are not responsible for drainage where regional councils are. Metropolitan councils have fewer kilometres of roads to manage and a higher percentage of roads that are managed by the state. They have a much higher rate base and often can run operational profits greater than a rural council budget.¹ Metropolitan populations utilise the regional local and state roads daily through their consumption of food products. It is only fair that they dedicate a percentage of their income which exceeds their operating costs to share the burden of managing the infrastructure required to fulfil their biological and physiological need for food.

¹ Boroondara reported a \$26 million dollar surplus in 2017-18 budget documents. The Yarriambiak 2017-18 budget was under \$24 million.