Contributors

This is a consortium feedback from:

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4. Chinese Australian Accord Inc.

PART 1: The Rate Cap

1. One Cap Rate or Many? (section 2.1)

ANALYSIS & DISCUSSIONS

We agree with the one rate cap approach.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Agree that this is not just a simpler, but a more pragmatic solution.

2. Using general rates and municipal charges as a basis for capping rates (section 2.2)

ANALYSIS & DISCUSSIONS

Preliminary understanding of LG tax and charge structures, derived from DTPLI webpage on Council rates and charges (2015):

Property Taxes

- **General rate** is the universal and uniform tax that ratepayers have to pay on their residential properties, based on the CIV value of their properties in a year. This property tax is calculated on a fixed formula and is reduced when all the total value of all properties go up as there is not supposed to have windfalls due to market prices.
- Other property types such as business properties, pay **differential rates** as a differential property **tax**, which a Council can determine and charge, however based on the following good taxation principles:
    - "The benefit or user pays principle – some groups have more access to, make more use of and benefit more from specific council services
    - The capacity to pay principle – some ratepayers have more ability to pay rates than do others with similarly valued properties
    - The incentive or encouragement principle – some ratepayers may be doing more towards achieving council goals than others in areas such as environmental or heritage protection".

Cost Recovery Charges

- Property taxes raised from general and differential rates do not cover all operating costs incurred by a Council. Hence a council has the recover its operating expenses through the following rates or charges:
  - A **municipal charge** (is not a tax) is for covering the administrative costs of a council and cannot be more than 20% of revenue raised from general rates and municipal charges.
  - A **service rate** or charge relates to the cost of service provision and delivery, required by the purposes of a Council supplied in the LGA. In today's context, it covers garbage collection, recycling and disposal (collectively referred as garbage management service line).
  - A **special rates** or charge is levied for particular works or services, charged to a limited number of ratepayers. The LGA "enables councils to levy a special rate, a special charge (or a combination of these) to help pay for any council service or activity that will be of special benefit to a particular group of property owners. A "special benefit" is a benefit that is additional to, or greater than, the benefit generally available to other people." For example, schemes for constructing footpaths, roads, kerbs and channels or drains; and arrangements for providing services like promotion, marketing or economic development (eg for commercial businesses). Estimating this charge requires:

    clarity of the benefits of the proposed works or services that will be of benefit to the people who are liable to pay;

    Setting a criteria to determine how the charge will be apportioned between the affected ratepayers.

Cost recovery can also partially come from State and Federal Government and public utility agencies, as "**revenue in lieu of rates**" payments on their unrateable lands such as railway land, state and federal government buildings, mining lands, power stations, airports, wind farms, etc.

Based on this understanding and noting ESC finding that ~88% of total revenue raised by Councils are accounted by revenue raised through general rates and municipal charges, it makes good sense to choose these two rate categories to commence implementing the rate capping policy. The choice will assure and ensure there is consistency and tax equity in raising tax-revenue from residential properties and traceable visibility in managing municipal costs.

The ESC report also identified monitoring the cost efficiency of service rates/charge that recovers the cost of garbage management services, which may be another future area for increasing cost efficiency in councils.

We agree with the ESC recommendation to apply general rates and municipal charges to cap rates , as a starting baseline; and to monitor the cost efficiency of service rates/charges.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

An implementation pitfall in using the recommended rate capping approach is when a council inflates its revenues significantly above its costs.

For example: Monash Council has been accumulating (during the last few years) unrestricted cash and over geared working capital reserves, under-renewing current infratsructure and operating significantly operating surplus in their budget forecasts, to fund future new capital developments, not officially approved today. The latest budget and SRP estimates continue to show this budgeting loophole:

Over geared working capital

$'000	Actuals 2013/14	Actuals 2014/15	Forecasts ---> 2015/16	2016/17	2017/18	2018/19
Working Capital (CA/CL)	158.8%	134.4%	156.6%	163.5%	166.1%	178.5%
Working Capital (CA - CL)	$ 19,132	$ 11,843	$ 19,526	$ 21,944	$ 22,857	$ 27,195
Working Capital capped @ 150%	$ 18,074	$ 13,220	$ 18,705	$ 20,132	$ 20,647	$ 22,856
Excess Working Capital	$ 1,058	-$ 1,377	$ 821	$ 1,812	$ 2,210	$ 4,339

Excessive unrestricted cash cumulating over several years:

$'000	Actuals 2013/14	Actuals 2014/15	Forecasts ---> 2015/16	2016/17	2017/18	2018/19
Unrestricted Cash Ratio	72.3%	70.6%	93.2%	100.2%	101.6%	112.9%
Unrestricted Cash Value	$ 23,516	$ 24,326	$ 32,160	$ 34,625	$ 35,158	$ 39,123

Excessive operating surplus that is considered as paper value:

Comprehensive Income Statement
For the four years ending 30 June 2019

	Forecast Actual 2014/15 $ '000	**Budget 2015/16 $ '000**	Strategic Resource Plan Projections 2016/17 $ '000	2017/18 $ '000	2018/19 $ '000
Income					
Rates & Charges	101,096	**108,355**	111,914	115,562	119,301
Statutory fees & fines	5,746	**6,750**	7,020	7,301	7,593
User fees	22,141	**23,520**	24,450	25,416	26,420
Grants - Operating	17,858	**17,350**	17,689	18,132	18,585
Grants - Capital	7,186	**2,789**	1,731	1,760	1,790
Contributions - monetary	3,901	**2,464**	2,574	2,433	2,538
Interest Revenue	1,510	**1,110**	1,519	1,569	1,635
Other Revenue	2,681	**1,458**	1,494	1,532	1,695
Total Income	162,119	**163,796**	168,391	173,704	179,556
Expenses					
Employee costs	65,357	**67,013**	69,347	71,766	74,270
Materials, services & contracts	59,629	**59,105**	62,844	65,374	67,573
Interest	876	**0**	0	0	0
Depreciation	24,392	**26,058**	26,418	26,782	27,152
Total Expenses	150,254	**152,176**	158,609	163,922	168,995
Surplus/(deficit) for the year	11,864	**11,620**	9,783	9,782	10,561

Under performing infrastructure renewal positions:

	2014/15	2015/16	2016/17	2017/18	2018/19
New Assets	$ 6,080	$ 4,131	$ 6,844	$ 6,772	$ 2,781
Asset Renewal	$ 16,267	$ 16,802	$ 17,917	$ 17,901	$ 21,505
Asset Expansion + Upgrade	$ 10,448	$ 10,298	$ 10,147	$ 12,068	$ 10,970
Total	$ 32,795	$ 31,231	$ 34,908	$ 36,741	$ 35,256
Depreciation	$ 24,392	$ 26,058	$ 26,418	$ 26,782	$ 27,152
Asset Renewal Ratio (Asset Renewal/Dep)	66.7%	64.5%	67.8%	66.8%	79.2%
Asset Expansion		$ 438	$ 422	$ 73	$ 65
Asst Upgrade	$ 10,448	$ 9,860	$ 9,725	$ 11,995	$ 10,905

This issue has been raised several times, but the matter is continuously being swept under the carpet. The latest inquiry was recorded in a public question raised by a resident in May, asking Council to explain how a over $10 million surplus is not deemed as a profit and the official reply from a Councillors not only gave an unconvincing but a confusing and irrelevant detailed explanation and also stating that the figure is a "paper surplus that exists in the accounts rather than a profit windfall" (Monash Council May 2015 Meeting Minutes, Page 46-47)

Astute ratepayers are aware that the decision to proceed with this agenda is also unofficially pre-made by groupthink councillors who deemed themselves as "good leaders", despite are not supported by their community at large in sharing their selective and chinfest viewpoints about the future city development directions and the accumulation of large currently uncommitted surplus money for funding for such pre-orchestrated future capex expenditures.

When poor governance driven practices prevail in budgeting planning, the rate capping outcomes can be made unfavourable to ratepayers. But they can be made to show the "appropriate" procedural compliance to the rate capping policy. This is also evident in the recently approved Monash Budget and SRP, when future financial years' general rates have been lowered (to about 3.3 %) than the legacy annual increase of 6 to 7 %. To downplay the revelation of budget anomalies detected by the LGPRF financial indicators in the 2015/15 budget, there is also strong (and increasing) use of local media communications and screwed/biased statistical language to promote Monash Council has the lowest (average) rates. One Councillor even claimed in a public forum that ratepayers want to pay higher rates.

2015/16 Forecasts	Adopted	Actual?	Adopted	Actual	Adopted	Actual	Draft	Actual	Forecasts		
	2012/13		2013*/14		2014/15		2015/16		2016/17	2017/18	2018/19
Total Income	150,630	150,630	155,258	167,781	158,945	162,119	163,796		168,391	173,704	180,317
Rates & Charges	87,974	87,974	93,986	94,109	100,796	101,096	108,355		111,914	115,562	119,301
Rate & Charge Increase				7.0%		7.4%	7.2%		3.3%	3.3%	3.2%

ESC needs to consider practice scenarios like this, to prevent and mitigate such implementation risks.

Perhaps including the reporting of operating surplus and other appropriate financial indicators to benchmark the efficiency, transparency and accountability measures of a Council's rate capping capacity would give traceable visibility of such implementation pitfalls. This also translate to enabling the rate capping framework to show the transparency of a council's true operating cost requirements. Community education is another strategy to ensure there is good financial (and even LGPRF) literacy development among ratepayers and other community members, to enable them to effectively question their Councils when exercising good governance oversight over their councils' budget planning and other service management matters.

Another implementation pitfall exposure - There should also be consistency in the time when councils update the number of rateable properties in their systems. In other countries, there are cases when councils do not use accurate data about the number of rateable properties to manipulate market prices and hence property demand directions.

3. Total Rate Vs Rate Revenue Per Assessment (section 2.3)

ANALYSIS & DISCUSSIONS

We support presenting the rate capping information that makes sense to the paying ratepayers. We would like see the breakdown of our rates in terms of the relevant general rates (ie property tax before and after CIV), and the various municipal, service and other charges.

How this invoice based breakdown of property tax and charges translate to council's managements views of their budget cash flows is unclear. Perhaps working an example to show the individual invoice information and how the aggregation of such invoices' information are aligned to budget management perspectives can clarify the different information presentation views for ratepayers and council personnel. A data model of the information schemas would help ESC to illustrate such an example.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Presenting rates and underlying financial information to different stakeholders can readily be developed using Councils' computer systems. Some leadership effort can be demonstrated to provide some data mining or SQL querying formats to extract the various perspectives of data elements to provide the different invoice and financial reporting viewpoints. Once defined, there is no additional effort for Councils to provide such information views in the future.

Aiming to set state wide consistency in councils' chart of accounts and even service categories (or provide a common cross referencing structure to some meta charts of accounts and service categories) will further help to align invoice based information to budget management information views. Today's technology can easily be configured to accommodate metadata and discretionary versions of distributed data.

4. Rate Setting Calculation Formula (section 2.4)

ANALYSIS & DISCUSSIONS

We support, in principle, of the assumptions and rationality used to propose the following calculation to determine rate increases for future years:

Annual Rate (increase) Cap = (0.6 X Increase in CPI) + (0.4 X increase in WPI) - Efficiency Factor

In principle, we support the formula as baseline, which we also anticipate future refinements in both the formula and implementation procedures as part of ongoing continuous quality improvement.

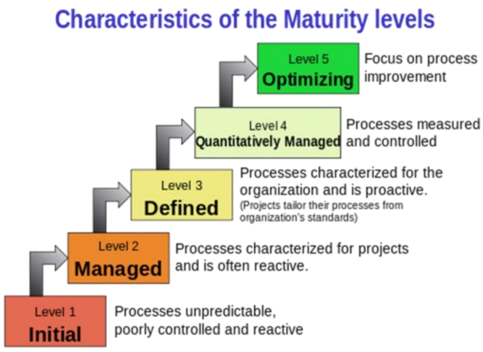
The 40% weighting for wage price indexation (WPI) is very generous as it is above state benchmarks. this WPI recommendation allows councils ample leeway to "pull their socks" when reviewing their current and true efficiency positions and have time to plan and introduce progressive improvements. It also gives ratepayers/communities to see incremental traceability and visibility in their councils' resolve to improve and sharpen their efficiency positions over time.

We can see two efficiency drivers in this formula:

- A longer term to move the 40% weighting for WPI to state's further targets, which would align LG operations as a (decentralised) "department" of the state while enjoying its legislated autonomy to operate as 79 independent units that coordinate and integrates effectively into state operations.
- A shorter to medium term effort to improve operating efficiency within councils via the Efficiency Factor. We accept more research is needed to strengthen the effectiveness of pragmatic use of this efficiency driver. Starting from a zero efficiency factor is very lenient and proposing very small increments over future years is a very lenient approach to accommodate councils' learning curves and increasing readiness when developing their efficiency prowess.

These efficiency drivers are also the future tools for fostering and building continuous quality improvement capacities in Councils.

It may be useful to integrate the principles of **Capability Maturity Management**, such as the CMMI standard, to gauge the incremental improvements in councils' efficiency (and even service levels). As it standards now, it is reasonable to say most councils' efficiency positions are at capability maturity level 1 and it would be great that the rate capping policy can be a strategy to improve this operating competency in Councils.



We also believe the Efficiency Factor correlates to the best value principles of service provisioning, which is required by the LGA. Researching and clarifying this correlation would also reveal insights to determining appropriate LGPRF indicators to further qualify or give deeper local insights about the underpinning future efficiency drivers of councils.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

This formula has significant reforming implications for councils, which explains their initial and strong resistance to change, ie supporting the rate capping policy. We see equity and fairness in this approach, not mentioning giving greater traceability and visibility of applying good governance principles (especially transparency and accountability) in future rates setting. Implementation hiccups are to be expected, but strong and positive leadership from councils are needed to collaborate and find solutions to these implementation barriers, to ensure the best interests of their communities come first.

5. Base Year (section 2.5)

ANALYSIS & DISCUSSIONS

Agreed with ESC recommendation.

IMPLEMENTATION PITFALLS

As councils have not clarified their implementation plans for this policy to start next year, everything can be perceived as blurry and confusing. With asap resolve to commence implementation planning and collaboration with each other and higher authorities, and even their communities, they can choose to identify and overcome barriers, hence mitigating the uncertainty of change. Winching about micro implementation issues reflect resistance to change through distraction-tactics.

6. Reporting Information (section 2.6)

ANALYSIS & DISCUSSIONS

Agree with the suggested information sets. We also suggest to:

1. Add and disclose the appropriate LGPRF indicators to show how efficiency improvements are progressing and affecting next cycle rates increases;
2. Provide the information sets every time a Council reports its periodic actuals vs planned budget positions publically.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Computer systems are readily configurable to provide these information sets and there should be no issues of burdensome data collection and reporting involved as some Councils are claiming. In this day and age, surely one can envisage no councils would try to collect and compile the information manually, which then is logically laborious.

The Variation Process

7. Reasons for Variation (section 3.1)

ANALYSIS & DISCUSSIONS

Agree with the propositions for justifying variations and the need for more effective engagement with communities to understand the business case and measureable outcomes of variations. This does not mean that strong community support is required to enable or support applications for variations. However the higher criteria is about the "best value" quality and implementation traceability of the variations' business cases and planned outcomes.

On Page 18, one of the variation reasons for variation is because councils want to ensure their range of services they deliver are aligned with their community highest priorities. Who defines community priorities is an unaddressed concern. In the current environment, most Councils dictate to their communities their perspectives of community priorities. Perhaps some more guidelines (including the more rigour use of LGPRF indicators) are needed to ensure that councils can commit to IAP2 levels of "collaboration" and "empowerment" to jointly define community priorities. Today, most councils prefer to offer lower levels of community participation at inform, consult and involve levels that give them stronger and dictatorial control over desired decision outcomes

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

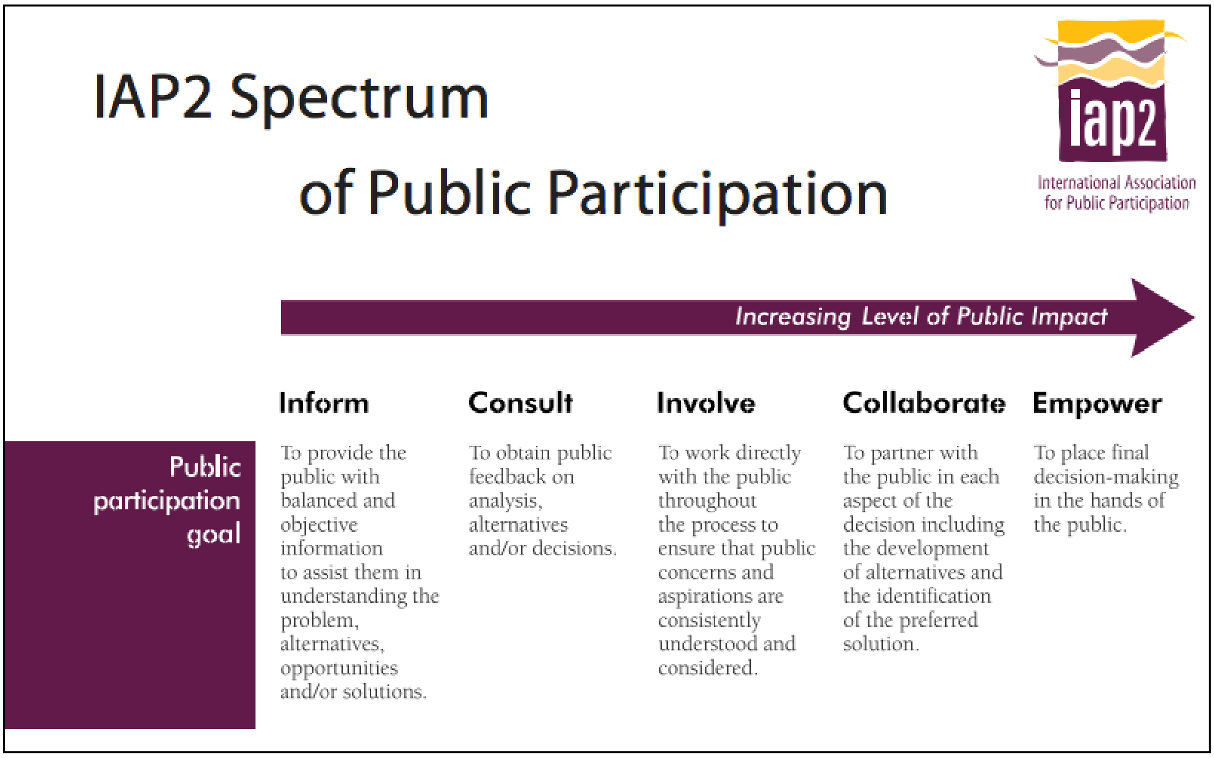
Councils should not be paralysed because they are unable to get strong community support for their variations. They should be more focused at the *best value* justification and quality of their variations' business cases and commit resolve to regularly report measurable implementation and benefit achievements of the proposed variation-outcomes, according to the information specified in their variations' business cases. It is a no brainer when business cases do not exist or are of poor quality that they create barriers in variations seeking, which together with tokenistic community engagement, also result in poor community support. Strong quality in community engagement and business cases will likely prevent poor community support for variations.

8. When to seek a variation (section 3.2)

ANALYSIS & DISCUSSIONS

Agree with the triggers that may warrant a variation and the need to engage with the communities.

In aiming to better balance equity and appropriateness of decision making power, we recommend that councils explicitly use the IAP2 level of community participation as part of the variation application process. This clarifies the nature and quality level of community engagement that would apply to help Councils build stronger business cases for their variations. There will be instances when Councils are the better decision makers in handling matters like economic pressures or natural disasters that they sought to "consult" or "involve" their communities to decide variations. However, other instances like building a new community centre, disposing community assets, approving helicopter travel reimbursements, etc should engage the community at "collaborate" to "empower" levels.



IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Recommend using a consistent community engagement standard, such as the IAP2, and LGPRF indicators to guide, measure and made explicit the nature and quality level of community engagement in variation matters.

Based on past precedents of decision conflicts between councils and communities, Councils and communities can readily identify and agree the circumstances or types of variations that would warrant Council to be the main decision maker, or a collaborative decision maker.

9. How to demonstrate the need for a variation (section 3.3)

ANALYSIS & DISCUSSIONS

In principle agree with the ESC recommendations. However it is also useful that Councils explain the higher reasons for requiring changes in cost, asset management and services. Just saying they need these changes as the "reasons" for variations is not sufficient.

The five areas of address for seeking variations is conceptually reasonable. To ensure it is consistently translated into action, there is value in providing a guiding instructions and template for writing a rates cap variation.

Integrating the 3 ratepayer and community engagement principles into variation practice is easier supported with the use of an explicit best practice standard such as IAP2.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Who develops the rates cap variation guide and template is open to further discussions, evaluation and agreement, the choices being:

- ESC does that, or
- Some champion Councils or peak bodies and collaborating with ratepayers groups to do that, or
- All the said championing parties jointly share responsibility to do that.

We also recommend:

- using the IAP2 to strengthen the prevalence and integration of the 3 ratepayer and community engagement principles in Councils' rates cap variation processes
- That ESC consider using a best practice decision making methodology, such as the Kepner Tregoe method (often used by multinationals and NASA) to explicitly integrate the 5 variation justification and ratepayer/community engagement criteria in deciding to approve or reject variation applications. This best practice gives objectivity and traceability to decision making, and can facilitate easier future digitalisation of variation submission and assessment flows, increasing productivity for parties involved in the variation processes.

10. Who decides / approves variations (section 3.4 to 3.6)

ANALYSIS & DISCUSSIONS

Agree an independent party is the decision making, not councils or ratepayers, or LG peak-bodies.

It makes logical sense to have ESC to play the role, as they are the ones who design the solution and most supported by unbiased mindsets and rich LG knowledge resources.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

n/a.

PART2: The Monitor & Reporting Process

11. Reasons for monitoring and reporting (section 4.1)

ANALYSIS & DISCUSSIONS

Totally agree. The reporting will also improve information transparency, including revealing poor practices of reducing service and critical infrastructure services and performance to break the policy implementation.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

n/a

12. Good Practice Principles for Monitoring & Reporting (section 4.2)

ANALYSIS & DISCUSSIONS

Agree. The proposition to liaise with councils and VAGO to reduce data collection and reporting burdens is a good move. Computer systems should be readily configurable to provide the information. Only initial effort is required to the set the computer configurations and once the reporting system criteria are setup, there is little to no future effort in data collection and reporting effort.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Computer configurations to use existing data and issue reporting should remove many current concerns and winches of additional effort.

13. Governance Oversight - Adhering with CAP or Variation conditions (section 4.3)

ANALYSIS & DISCUSSIONS

This is an excellent requirement. This means Councils will have to be specific in identifying the cost driver items that warrant justifying their variations and providing progress tracking KPI measures to ensure additional expenses causing the rate cap variation are achieved according to budget targets. This accountability process is required by the LGA, but has never function properly in current practices, allowing poor implementation definition and accountability of decisions' outputs and outcomes actually delivered. This will strengthen the integration of "program logic" into every major Council decisions, including improving the reporting information of decisions' outcomes and accountability capacity to deliver the decisions made.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

If the worst case prevails (that councils cannot perform to achieve outcomes that support the capped rates or their variations), then the Minister should exercise legislative rights to intervene and correct the increasing or continuing inefficiencies in the LG system. This can be considered as part of an implementation risk management framework, which has not been covered in the report.

We are aware of the political power plays, but these activities should not be at the expense of the Victorian communities at large. Someone has to take strong leadership to provide a clear risk management strategy for implementing the rate capping policy, to enable everyone to see the rewards and consequences of success and failures by all contributing stakeholders to make this policy work or otherwise.

14. Monitoring & Reporting overall outcomes for Ratepayers/communities (section 4.4)

ANALYSIS & DISCUSSIONS

Ratepayers would like to see:

1. The breakdown of cost/service drivers linked to influencing rates increases - to start with reporting the WPI and associated wage breakdown cost/service movements; and other cost/service drivers linked to the Efficiency Factor in the rates cap formula.
2. In the longer term, the activity costs of service lines, together with identifying the recipient groups, their numbers (pop size) and other measures of the planned benefits provided through service lines or their breakdown service items.

People, already strongly supporting and practising a culture that is for evidence based good governance and quality management, will integrate compliance and quality improvement costs as part of "business as usual" and good practice.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

A thorough analysis of the various data sources is required to understand what can be reported from existing systems in councils, Vic Grants Commission and VAGO environments. We envisage that this would also identify the data warehousing and cleansing gaps of LG data management as a whole, which would help to enhance future information provisioning and benchmark reporting to different stakeholders as where and when required.

The baseline data template should also be made available to the public, to understand what level of information can be potentially available, in addition to the standard public reports.

15. Defining Annual Reports (section 4.5)

ANALYSIS & DISCUSSIONS

Support the recommended sets of public reports.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

It would be useful to allow the public to request/access

1. Standardized reports that are given to their Councils, or
2. Customised reporting based on using the baseline data template, or provide them self query services to customise their own reporting views.

PART 3: Implementing the Framework

16. Implementation Timelines (section 5.1)

ANALYSIS & DISCUSSIONS

OK with the proposal. It is important to also support the Minister's critical milestone priorities. Like she said, all stakeholders, including ratepayer champions, have to work harder to make the rates policy work.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Differences in political viewpoints and resistance to change are key implementation barriers. The question is what appropriate change management strategies can work to increase support for the policy and hence commitment to make it work by the proposed timelines. Identifying the change enablers would be a start - a best practice guideline to get some ideas for managing the change management - http://www.pmi.org/~/media/PDF/Publications/Enabling-Change-Through-Strategic-Initiatives.ashx

17. Transitional Requirements (section 5.2)

ANALYSIS & DISCUSSIONS

What is proposed sounds doable at face value.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

Change management planning is needed at a state and local council levels. Although councils are legislated to be autonomous, coordination is not infringing on their autonomy and is useful to simplify/streamline implementation collaboration and supporting each other in addressing learning curves and unexpected barriers. Some upfront planning is useful to identify shareable support mechanisms for addressing these learning curves and unexpected implementation barriers.

18. Costs of Administering Arrangements (section 5.3)

ANALYSIS DISCUSSIONS

While there is no black or white answer at this stage, there is the opportunity for State agencies, councils and peak bodies, and even ratepayer groups to work out a pragmatic approach in cost recovery. The first step is to guesstimate a ball park figure by each council and go from there to refine the guesstimates into reasonable cost sharing or state funding.

If Councils are committed to the good governance principles in the Good Governance Guide and continuous quality improvements, the cost of compliance and quality management is definitely "business as usual" and part of good practice. The rate capping policy development is really part of Councils' quality improvement frameworks, a good practice that should be embraced, not resisted against.

IMPLEMENTATION PITFALLS/RECOMMENDATIONS

None identified at this stage.

19. Guidance & Support (section 5.4)

ANALYSIS & DISCUSSIONS

Great to hear provision for guidelines and support to address learning curves and implementation barriers will be lead and managed by ESC. There are also opportunities for championing councils and peak bodies, and even ratepayer groups, to assist ESC in this function and collaborate to make the policy efficiently and effectively.

IMPLEMENTATION PITFALLS/RECO0MMENDATIONS

None identified at this stage.

PART 4: Longer Term Opportunities

20. Implementation phase 1 review (section 6.1)

ANALYSIS & DISCUSSIONS

We suggest a review period of 2X2 years for the first phase of 4 years, thereafter every four years. This will also allow the first implementation phase to be more agile and effectively managed and also ensures a more robust and proven practice model to be put into place for future phases. The first phase should start prior or just after a state election, to allow the prevailing State Government to oversee and if needed intervene in ensuring systematic improvements.

21. Efficiency Drivers and Continuous Improvement Initiatives (section 6.2)

ANALYSIS & DISCUSSIONS

We prefer the longer definition of efficiency, as the later one is too general and open to varying interpretations for implementation. The first definition recognises a modern contexts of LG where there is good synergy and collaboration in LG affairs and good governance culture and competencies are the norms, not the gaps as are in today's practices.

Future services should be more aligned with state's services. After all, the provision and delivery state services are meant to be localised. This alignment will also help to dispel issues of cost cutting and clarify shared funding responsibilities that bring more affordable services to communities.

It would be also useful to investigate the developments in the UK and USA systems of LG, to adopt the best from these systems in the Victorian LG sector, and leverage their lessons learnt to reduce our learning curves and practice risks.

Developments in the LGPRF will be more critical to ensure the traceability and visibility of ongoing performance improvements in the LG sector. Educating ratepayers about the affairs of LG and how they can play value add roles in increasing systematic efficacy and local relevance will become new critical success and sustainability drivers in pursuing sustaining efficiency in the system.

22. Guidance on Councils Financing Options (section 6.3)

ANALYSIS & DISCUSSIONS

Councils are not well versed in financial engineering, including debt financing. To increase competency in this more advance financial management capability will need professional guidance and regular risk management checks to ensure ratepayers' funds are not exposed. The risk exposure to current superannuation defined benefits liability is a good example of this lacking competency, and the reliance on MAV roles as governing trustee directors in Vision Super is no comfort to ratepayers either. Partnerships with Banks, or the State Treasury, to consider financial engineering strategies in fundraising is another option for consideration. Such partnerships can also extending to increase more effective competitive tendering capacity of councils, and removing oligopoly practices among existing suppliers of municipal services, such as superannuation and insurance services.

23. Cost Reflectivity in Council Rates & Charges (section 6.4)

ANALYSIS & DISCUSSIONS

Council rates and charges are currently reflective of operating costs. However, some Councils, such as Monash, sees these revenue sources as opportunities for investing new infrastructure at the expense of future rates affordability and covering current assets renewals to ensure future financial sustainability. The best position is to have consistently the sufficient revenue levels to cover operating costs plus prudential provisions for ensuring financial sustainability. Adopting zero based budgeting can help to ensure financial sustainability and materiality, with little provision for some Councils to conceal cumulative surplus cash for several years for funding undeclared future purposes.