



**Maribyrnong**

CITY COUNCIL  
ABN 86 517 839 961

25 May 2015

Mr. Ron Ben-David  
Local Government Rates Capping and  
Variation Framework Review  
Level 37, 2 Lonsdale Street  
MELBOURNE VIC 3000

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Dear Mr Ben-David

Thank you for the opportunity for Council to provide a submission with regard to the matters raised in the Local Government – Rates Capping & Variation Framework Consultation Paper. This submission was endorsed at Council's Meeting held on 19 May 2015.

The City of Maribyrnong is 31.2 sq km in area and has an estimated resident population of 85,000. The City is the smallest and most densely populated municipality in the metropolitan area and borders Melbourne, which is Australia's second largest city. This central location provides easy access to the ports, the road network and an extensive public transport system.

The City has a diverse population and is a vibrant municipality experiencing significant population growth and residential development. These changes create opportunities for social and economic development in the municipality. However, they also create a number of complex challenges for local residents in areas such as housing affordability, access to community services and facilities, and opportunities for employment and education.

Council supports the emphasis in the Consultation Paper on the importance of promoting accountability and transparency. This is a fundamental aspect of Council's good governance practice and is consistent with the Local Government Charter as set out in the *Local Government Act 1989*. The Charter provides the objectives, role and functions for Councils and includes that Council must have regard to using resources efficiently and effectively, that services be provided in

accordance with the Best Value principles to meet the needs of the local community and to ensure the equitable imposition of rates and charges.

This submission has also been prepared keeping in mind that Council:

- is 'to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions'.<sup>1</sup>
- is elected to provide leadership for the good governance of the municipal district and the local community.<sup>2</sup>

Council's specific comments about the issues raised in the Consultation Paper are outlined below under the same headings that the Commission is seeking feedback about (section 5 of the Consultation Paper) to inform the development of the Framework.

## **1. The form of the cap**

Maribyrnong City Council developed a rating strategy in 2006 with annual rate increases matched to the Consumer Price Index (CPI) with an additional 2% directly allocated to infrastructure renewal and development.

This strategy was developed at a time when the Council had borrowings of \$24 million and a growing need to address aging infrastructure (roads, drains, buildings). The challenge for the Council at this time was to continue operating and servicing community needs whilst meeting its financial requirements in debt repayments. Maribyrnong was at that time listed as the third most disadvantaged community on the SEIFA Index, therefore the Council was mindful that the community was not able to bear high rate increases. This environment also included meeting Enterprise Bargaining Agreement (EBA) salary increases of between 1-2% above CPI.

The result of the strategy has enabled Council to maintain its operating costs at a conservative level, plan for essential renewal of assets and build up an infrastructure reserve to enable the Council to slowly build new and replacement community infrastructure. Over the last ten years, reducing the debt has been a priority.

With this strategy in place, Council is now in a sustainable financial position. The 10 year financial strategy adopted in 2014 allows for the infrastructure renewal gap to be addressed by 2024

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<sup>1</sup> Section 3(C) Local Government Act 1989

<sup>2</sup> Section 3(D) Local Government Act 1989

and enables the Council to develop new infrastructure each year. In 2015 Council opened its new \$12.5 million community hub in Braybrook and is currently building major infrastructure and commercial premises to the value of \$14 million to enhance the "Little Saigon" precinct. This will become a major destination for our community and will enhance tourism to the area.

Council's proposed budget for 2015/16 has a rate increase at 3.7% (1.7% December 2014 CPI All Groups Index and 2% for infrastructure).

Although Council uses the CPI All Groups Index in its rating strategy, it is questioned how appropriate CPI is in relation to Council expenditure. Other indicators that could be used are the Reserve Bank Measure of Consumer Price Inflation, the Average Weekly Earnings, Construction Index and the MAV Local Government Index. Careful consideration should be given to the appropriate indexation measure for local government purposes.

Council also considers that the CPI rate should be based on the one that is published for the quarter ending in December each year. This rate should apply for the next budget cycle and must not be altered during the budget preparation process.

A single cap should apply equally to all Councils prior to any variations being applied. This will ensure consistency across Councils.

## **2. The base to which the cap applies**

Council considers that the cap should apply to all rates and charges. Failure to take this approach will disadvantage councils which use the net annual value of valuation (NAV) that precludes the use of garbage and municipal charges etc.

## **3. What should the base year be? The variation process**

Council considers that it should qualify for a variation based on its current rating strategy of CPI and the infrastructure levy (refer to notes at point 2 above). Council's financial strategy has been a deliberate approach to ensure financial sustainability into the future. Council can demonstrate why the infrastructure levy is crucial to Maribyrnong in the short and long term.

If a straight CPI only cap is applied, Maribyrnong City Council predicts that it will lose \$110m over the next 10 years in rate income. Further to this loss, Council predicts severe consequences to the maintenance of community infrastructure. Under the current rating strategy, operating costs continue to be

held at CPI. The impact of reducing costs even further would mean a reduction in service delivery and staff.

#### **4. Community engagement**

The Maribyrnong community is diverse and Council is committed to governing in the best interests of the community. Council considers that the engagement process must provide data and information about the priorities of a wide cross section of the community to inform the development of its budget and therefore its rating strategy.

The engagement starts with the City's Corporate Planning process which includes the adoption of the four year City Plan, the Annual City Plan, and a series of Council policies, plans and strategies which extend across Council business. Community engagement is integral to the development of these documents. In addition Council's Best Value service reviews and annual community satisfaction survey provides community feedback to inform the delivery of Council business. These existing forms of community engagement provide Council with advice about community priorities which then inform the budget process.

It is suggested that community engagement plans which specifically relate to the budget process be submitted as part of the application for a rate variation by Councils to demonstrate community priorities, community involvement in the process and demonstrate the influence that this has on the Council decisions with regard to the budget and the application for the variation. This engagement methodology must not be prescribed but be flexible to enable Councils to use their own existing methods and structures for community engagement to suit their communities.

#### **5. Incentives**

The Best Value process is the Framework that Council uses to identify ongoing efficiencies and has been used effectively for a number of years.

#### **6. Timing and process**

Council agrees that it is particularly important that the Framework aligns with Council's budget process.

Council commences its budget process nine months prior to the 30 June. Any changes that will impact on Council's adopted rating strategies need to be introduced 12 months prior to implementation. Council's budget timeframe for the 15/16 budget is as follows:

| Process  | Timing      |
|--|-------------|
| Councillors & EMT Workshop - Councillor Strategic Planning       | 22 Nov 2014 |
| First Cut Budget for Officers for Review                         | 12 Jan 2015 |
| First Councillor Briefing – Budget 15/2016                       | 3 Feb 2015  |
| Second Councillor Briefing – Budget                              | 3 Mar 2015  |
| Councillor Briefing – Budget                                     | 14 Apr 2015 |
| Meeting of Council to resolve on Budget and call for submissions | 21 Apr 2015 |
| Community Information Session – Council Plan & Budget            | 29 Apr 2015 |
| S.223 submissions closed - (28 Clear Days)                       | 22 May 2015 |
| S.223 meeting to consider submissions to Budget                  | 9 Jun 2015  |
| Meeting of Council to Adopt Budget and Council Plan              | 16 Jun 2015 |

## 7. Transitional arrangements

Council agrees that there is merit in phasing in the implementation over a two year period however, this must not be used as an opportunity to confine a rate increase to only CPI in 2016/17 and preclude the opportunity to apply for a variation.

## 8. Roles

Council considers that the Commission's assessment of rate variations should be an advisory one with the Minister making the final decision on the variation. This advice to the Minister should be made public.

## 9. Other matters

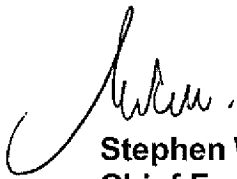
Council agrees that there should be a review of the framework to assess its effectiveness. Three years seems reasonable. Council also suggests that such a review period should not be a one off event but continue at routine intervals into the future to enable the sector to raise issues of concern especially as the effect of the rate capping and framework becomes evident.

The costs of administering the framework must be borne by the State Government.

The eight principles which the Commission has proposed to guide the review are noted. Council considers that the sector must continue to be involved in the development of guidelines, fact sheets and other material which will form part of the Framework as flagged in the explanation of the principles.

If you have any queries regarding the issues raised above please contact Celia Haddock, Director Corporate Services on 9688 0202.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Wall', written in a cursive style.

**Stephen Wall**  
**Chief Executive Officer**