

15 May 2015

Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 37 /2 Lonsdale Street
Melbourne VIC 3000

Dear Ron Ben-David

Submission to the Local Government Rates Capping and Variation Framework Consultation Paper

Thank you for the invitation to make a submission to the Local Government Rates Capping and Variation Framework.

Rate capping poses a major challenge for all Victorian Councils. We welcome a process which requires strong strategic planning, evidence of community need and community support and an obligation for transparency in reporting. However a process which limits communities from being able to determine their own priorities and service levels would undermine the independence of Local Government.

Please find Mount Alexander Shire Council's submission on the Consultation Paper attached. If there are any questions about Council's submission, Lucy Roffey, Director Corporate Support will be able to assist and can be contacted on 5471 1717 or l.roffey@mountalexander.vic.gov.au.

Yours sincerely



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Mount Alexander Shire Council's Submission to the Local Government Rates Capping Variation Framework Consultation Paper

General comments

The consultation paper does not provide objective evidence for widespread community concern over the level of rates; examples in the paper are from the Ratepayers Association of Victoria website only. Other objective evidence could include the number of budget submissions received each year that relate to rate rises, the number of objections received to valuations, and the level of rates outstanding across the State.

The consultation paper raises concerns around the lack of transparency and accountability in setting rates however does not refer to the level of consultation undertaken by Councils in preparing four year Council Plans and Strategic Resource Plans. Councils also provide information annually demonstrating commitment and compliance to Best Value Principles prescribed in the Local Government Act in the Annual Report. Councils are also required to advertise their annual budget and receive and hear submissions. No other sector is subject to this level of transparency in developing priorities and setting annual budgets.

Section 3.1 Autonomy of councils should not be compromised by rates capping.

Council agrees with this principle, and it can be supported by guidelines that are not prescriptive and provide for the level of diversity in communities across the State. This seems to be covered in Principle 1.

Section 3.2 CPI is not the appropriate index of council costs.

Council supports the Commission's consideration of using the Local Government Cost Index (LGCI) as an alternative index to CPI for the Capping Variation Framework.

The Commission should also consider other cost drivers that impact on the cost of delivering services in rural areas (i.e. cost adjusters outlined in the Victorian Grants Commission model such as remoteness, population dispersion).

Adopting a multi-year cap would also reduce the cost burden for smaller rural councils in providing documentation to support a rate cap variation.

The Commission should also consider cost drivers as an impact of State Government decisions, such as statutory fees and charges increase to Fire Services Levy, or the EPA Levy.

The Commission should also consider if this cap is to apply to service charges, such as waste, and if a separate relevant index should apply to these charges.

Section 3.3 Quality and level of service will deteriorate and infrastructure will run down if rates and charges are capped at CPI.

The MAV has developed local government is capacity in asset management through policy formulation, strategic planning, project implementation and the nationally recognised STEP Asset Management Program. This program provides objective evidence on the challenges facing the sector in renewing failing infrastructure and demonstrates that even with above CPI rate rises over the last 10 years many Councils are still facing a growing renewal gap.

Section 3.4 Rate capping may create perverse incentives.

Unintended consequences of rate capping could include shifting the costs of some services to those that can least afford them through higher user fees and reduction of subsidies. This may impact on equitable access to services.

Section 3.5 There are lessons from NSW's rate pegging.

Rural Councils will most certainly be faced with resource and capacity issues compared with Metropolitan Councils in meeting the requirements of rate variation applications if they are complex and onerous. This may be addressed by Principle 4.

Section 3.6 An additional layer added to the council budgetary and planning cycle.

As previously noted, Councils have been preparing at a minimum, four year strategic resource plans and many have 10 year long term financial plans (as does this Council). Introducing a multi-year rate variation approach will assist councils with longer term planning and remove an additional layer to the annual budget cycle.

Section 3.7 Ratepayers are concerned with historically high rates and wasteful or unnecessary spending by some Councils.

Again, it should be noted that Councils advertise their budgets annually and invite submissions from the community. The model budget provides a high level of detail on the proposed annual expenditure. It has been this Council's experience that few submissions are received from the community concerned about wasteful or unnecessary spending.