

To: localgovernment@esc.vic.gov.au

Date: 14/05/2015

Subject: Rates Capping Review in Victoria May 2015

Rates Capping Review in Victoria May 2015

To the Essential Services Commission.

Subject:- Rates Capping for Shire Councils of Victoria and Variation Framework Review.

This is my submission. I support rates capping.

Date -: 14 May 2015.

Mr Chow.

1. I would like to contribute to this investigation and discussion for Rates Capping to all 79 Shires and their Councils of Victoria.

The State Government has three distinct determination for the 79 Shires.

Metropolitan, Outer Metropolitan and Regional/Rural Shires each with Councils.

Distributing of State funding is along the lines of the three Shire groups.

2. I must point out there is no recognition in the Commonwealth of Australia Constitutions (Australian Constitutions) for Local Governments. The Shires and their Councils are clearly an extension (financial extension) of the Victorian Government. The words Local Government should not be written within the investigative material by all.

3. The Cardinia Shire Council is using the Victorian Local Government Act and other Acts in its daily operations.

4. We the ratepayers are paying rates to a Shire and their Council.

Within the Cardinia Shire there are Ward boundaries each with elected Councillors. The Shire has townships, suburbs, Precincts, Villages (like retirement villages), developments and farms. No Cities currently exist.

5. Rates Capping must be introduced to stop the Administration and Councillors of the Cardinia Shire from continuing its historical rate rises (compounding) that have on occasions been set three to four times above the CPI of the time. My elected Councillors have continually allowed high rate increases along with high borrowings.

Borrowings as at 30 June of the prior year. Reference Draft Budget 2015-17.

2014-15, \$47,246

2015-16, \$64,995

Future Borrowing 2015-16 \$4,250m

6. The Federal and State Governments use the CPI as a bench mark. The Cardinia Shire Council and elected Councillors have informed ratepayers their expenditure costs are higher than the private sector, so for Council to set rates at the CPI would not be acceptable.

I ask why Council expenditures are higher ? It's ratepayers money.

7. Rates Capping must take into consideration the three Shire sectors.

Metropolitan, Outer Metropolitan and Regional/Rural in it recommendations.

Each Shire sector has differing development stages requiring differing expenditures for Capital works. Growth corridors with a continuing population growth must in a carefully planned manner provide infrastructure and services. The timing of additional infrastructure and services is important to meet a range of population needs.

8. My recommendation for the three sector Shires is -:

8a. Metropolitan rate rise based on a figure no greater than the current CPI plus one percent.

8b. Outer Metropolitan rate rise based on a figure no greater than the current CPI plus one and one half a percent.

8c. Regional/Rural rate rise based on a figure no greater than the current CPI plus one and one half a percent.

9. The current CPI as of 31st December each and every year.

10. The Financial Minister is to review the basis numbers of the calculation principle six whole months prior to a full Councillor election.

The Financial Minister is to publish any decision made to the general public no later than three months prior to a full Councillor election.

11. The Cardinia Shire Council provide services (over service) and have been doing so progressively for many years. Employee Expenses for one year is in the multiple tens of millions (\$30,111m) increasing each year. Employee numbers at the Cardinia Shire Council is close to 320 and rising. The newly released Draft Strategic Resource Plan 2015-2019 indicates the Council will employ 324.9 people 2015-16 (page 27).

12. The combination of Employee Expenses and Employee numbers points to an over servicing scenario. On top of employee expenses Council continually appoints Consultants at another cost to ratepayers. Cost unknown.

13. The Cardinia Shire Council appears to target shortfalls from private businesses, Federal and State Government. This leads to a situation of funding sharing mostly with the State and Federal Governments. The revenue coming from ratepayer and taxpayers. This is blatantly double and triple revenue dipping. Ratepayers generally are Tax payers.

14. I request the Essential Services Commission to obtain and read the Cardinia Shire Council Annual Financial Report 2013-14 and

The newly released Draft revised Council Plan 2016-19, Draft revised Strategic Resource Plan 2016-19 and the Draft one year Budget 2015-16 you will read a number of important details.

15. Past budget rate rises were -:

2009-10, 5.8%. 2010-11, 6.9%. 2011-12, 6.25%. 2012-13, 6.4%. 2013-14, 6.8%. 2014-15, 5.9%. and this coming year 2015-16, 5.5%. With future figures shown in the draft Strategic Resource Plan 2015 to 2019 page 3. 2016-17, 4.9%. 2017-18, 4.7%. 2018-19, 4.5% and the Draft Budget 2015-16 page 44. All way above the CPI. Why.

This is clearly compounding interest rises.

The Federal Governments new Budget Forecasts 12 May 2015 pm indicated CPI's over years. (reference Herald Sun 13 May 2015).

2014-15 actual 1.75%.

2015-16 forecast 2.5%.

2016-17 forecast 2.5%.

2017-18 forecast 2.5%.

2018-19 forecast 2.5%.

The Cardinia Shire Council has forecast rate rises over multiple years very much higher than the Federal Governments CPI figures. Why.

15a. As a comparison of Victorian Shire wide Rate rises over years the Medium yearly percentage figures should be used. I do not have Medium figures.

16. The total rates rise income for year 2015-16 is estimated to be \$61.9m page 3 Draft Budget 2015-16.

17. Rates Income (Collected).

Reference Annual Financial Report 2013-14. Cardinia Shire Council. Page 15. Note 2. Headed Rates & Charges.

The Valuation base 2012-13 \$14,531,909,616.

The Valuation base 2013-14 \$15,125,336,380.

An increase of 4.08% or \$593,426,764.

Rates page 15. Note 2

2013.	2014.		
Residential.	\$42,019m.	\$44,190m.	+5.17%
Commercial & Industrial.	\$4,478m.	\$6,497m.	+45.09%
Agricultural.	\$3,028m.	\$2,849m.	-6.28%
Cultural & Recreational.	\$61,000	\$56,000.	-8.93%
Garbage Charge.	\$8,464m.	\$9,139m.	+7.97%
Totals.	\$58,050m.	\$62,731m.	+8.06%

18. Interest on Rates page 17. Annual Financial a Report 2013-14.

2013 \$338,000

2014 \$201,000

19. Past Employee Expenses Benefits were-: actual

2004-05, \$10,558m. 2005-06, \$12,711m. 2006-07, \$13,776m. 2007-08, \$17,060m. 2008-09, \$18,900m. 2009-10, \$21,446m. 2010-11, \$23,908m. 2011-12, \$29,149m. 2012-13, \$27,297m. 2013-14, \$30,111m

Employee Costs. Reference Draft Budget 2015-16.

Budgeted 2014-15, \$30,568m. 2015-16, \$30,789m. 2016-17, \$31,727m. 2017-18, \$33,334m. 2018-19, \$34,658m.

20. Payments to Employees (reference Annual Financial Report 2013-14 Cardinia Shire Council Page 4 above note 29) 2013 - \$26,816m. 2014 - \$32,225m.

An increase of 20.17%.

21. Employee Numbers (reference Revised Strategic Resource Plan 2015-16 to 2018-19 page 27.)

2015-16, 324.9 employees.

22. Senior Officers page 41 that report directly to the CEO.

2013 - 24 \$3,681m

2014 - 26 \$3,937m an increase of \$256,000 or 6.96%.

23. Financial Commitments page 33 Note 34.

2013 \$16,104m

2014 \$17,827m an increase of \$1,723m or 10.70%. This is a commitment before a draft budget is finalised.

24. I would like to point out the elected Councillors including the Mayor the head of Council are the ones that solely approve Budgets, Council Plans and Strategic Resource Plans. The same Councillor voting group do not protect their voting ratepayers in the actions of setting rate rises and ongoing Borrowings. All of which ratepayers have to pay for. History has demonstrated that fact.

25. One of the problems I see with the Cardinia Shire Council and probably other Shire Councils is the Differential Rating System. This system allows Shire Councils to make a determination within their Shire that could be considered unfair. There are too many differential zones or categories.

26. When taking into consideration capping rate rises the Garbage Charges must not be included into the Rates and Charges Income each year reported in Annual Reports. Rates only Cash Flow collection revenue figures is the true basis to understand Rate Rises over each year.

27. Cost shifting by the Federal and State Government is only an excuse used by the Cardinia Shire Council when the Councillor group approves rate rises above the CPI.

28. My suggestion. When a Shire's total yearly Income revenue as a whole reaches a predetermined figure (say \$70,000m) then the Victorian Auditor General and the Victorian Ombudsman must have the legislative power to request and investigate Shire Councils expenditures. This would help give greater protection in the use of ratepayer revenue.

29. *****The issue I have with the Cardinia Shire Council is in the collection of rates revenue from the likes of myself based on an approved Budget rate rise for a year and the Administration of Council not expensing the collected revenue as at 30th June the following year. Multiple millions of revenue dollars are expensed in future years within the process of another years high rate rise. Investments and or interest then occur again at the expense to ratepayers who could have used that money pre collected for their own use.

Non Expensed Budgeted items as at 30 June of a year is called Carry-Over Forward by the Cardinia Shire Council. The financial figures are not shown in the Councils Annual Report. Why is it the Auditor General approves accounts when the Carry-Overs Forward are not reported ?

*****Carry-Overs Forward, over past years are:-

2009/10 \$13,195,140 provided by Council.

2010/11 \$11,162,114 provided by Council.

2011/12 \$18,710,731 provided by Council. Recently Council informed me the figure was actually \$21,230m.

2012/13 as at 30 March 2013 \$20,295,830 provided by my Ward Councillor.

2012/13 End of year financial figure \$23,727,781 provided by Council. Just recently Council has informed me the figure is \$15,960m

2013/14 \$12,149m provided by Council 11 May 2015.

I would like to know who approved the Carry-Over Forward non expensed process every year.

This is clearly breaking ratepayers consensual contract with Council via rate notice payments determined by a Councillor approved Budget each year. What should have happened has not.

30. More stringent guide lines are urgently needed towards the setting of rate increases. The guide lines are for the elected Councillor group, who are my representative at Council.

31. A Project priority system is required to be used when rate rise setting pre budget meeting are convened. The Minister must set these guide lines.

32. Prior to rate rise setting the Councillor Group is to be given published Management Plans and their Financial Expenditure Stages so that the Councillor group can establish project priorities in relation to revenue expenditure and Rates Income revenue. This would be a tool to aid in the establishment of future rate rises.

On occasions projects have cost more than the budgeted allowance. More often the project will have a revenue expenditure less than the allocated budgeted allowance and when all these factors are closely combined the conclusion indicates rates collection has been over estimated. Again at ratepayers expense.

33. The Mayor has the ultimate authority to negotiate with all other elected Councillors when determining budget projects.

In reality the CEO of the Administration of the Shire Council along with the multiple department managers determine projects prior to draft plans and budgets being established by the Councillor group. The proposed project listing is based on a basis ratepayers can afford in the Councils mind. The Council always believes we the ratepayer can pay.

That is why this review is urgently required.

34. Other factors that require attention are:-

34a. The Cardinia Shire Council reporting an Asset for lands Under Roads. The roads are State and Federal responsibilities. Many millions are reported.

34b. Contribution Non-Cash in the Annual Financial Report Statement. This revenue figure is for new roads, gutters and drains etc provided by developers.

Reference Annual Financial Report 2013-14. Cardinia Shire Council. Comprehensive Income Statement page 1. Note 6(b).

Developer Contributed Assets, Land Under Roads, Roads & Footpaths, Drains, Land.

In multiple previous budgets a financial figure of \$16,000m was included.

Actuals

2013, \$25,839m

2014, \$20,639m

Why is an Asset allowed to be included in the Income details of Council ?

Including this figure distorts the true financial result. Profit/Loss.

34c. The Cardinia Shire Council owning land known as the South East Business Park in Pakenham which has an Asset value in 2013 of \$11,355m and 2014, \$11,029m.

The Cardinia Shire Council should not be allowed to enter into land sales for future developments. Just imagine what \$11,029m could be used towards major projects within the Shire.

Shire Councils should not be allowed to become a developer or in an relationship with another party at the expense to ratepayers when Council keeps on borrowing millions.

35. Reporting of a budget as compared to another budget.

A budget is a best estimate for the future. An Estimate only.

The practice historical of reporting within a newly released draft budget financial figures in the Comprehensive Income Statement a budget compared to future budgets requires changing. Refer Draft Budget 2015-16 page 49.

This must stop.

The new Draft Budget 2015-16, Cardinia Shire Council and future budgets must show :-

35a. Results published in the Annual Financial Report of each year. Plus

35b. Results published in the 3rd Quarter Financial Report. The third quarter ends 31st March each year. A Draft budget is released in May each year.

These two financial figures can then be used in the new Draft Budget as a more accurate financial understanding.

Comparing an estimate against an estimate is unacceptable in Private business.

It must stop.

36. The proof is in the pudding as one says.

A number of weeks ago the current CPI figure was published. The figure being 1.3% seasonally adjusted.

The Federal Government Budget Forecast for 2014-15 CPI 1.7% and 2015-16 CPI 2.5%.

36a. A very short time later the Cardinia Shire Council through the elected Councillor group released the coming year Draft Budget 2015-16. A revised Council Plan and Actions 2015 to 2019 including a Revised Strategic Resource Plan 2015 to 2019.

36b. The three documents state the overall objectives of Council for the coming year 2015-16 is based around a financial rate rise of 5.5%. A figure 4.2% above the current CPI.

37. I request the Essential Services Commission through this rates capping review to urgently recommend to the Minister of Local Government to use the Ministers legal authority (before 31 August 2015) to lower the rate rise for the Cardinia Shire Council to 3.00% for year 2015-16 prior to the finalisation of the rate capping review.

38. All Councils are required to submit for approval their coming budget 2015-16 to the Minister before 31 August 2015 and the Local Government Act 1989 version 120, s185, (Part 8A, clauses 185B part 2 and 4 and 185C pages 266-268) states that the "Minister may limit income from rates and charges" and "Councils must comply with the Minister's direction". I request the Minister to act prior to one whole month of the 31 August 2015.

This material is centred around the Cardinia Shire Council and it's own documents.

39. I suggest legislation must include all Shire Councils when seeking public comment/response for draft documents then the Section 86 Committees of the shire be given an electronic copy of such draft document. Section 86 Committees are an extension of the Shire Council. This function is usually at call and not automatic.

40. In the Cardinia Shire ratepayers are subject to an additional payment to the Council if and when the ratepayer is overdue on payment of rates.

The note at the bottom of the rates notice reads as such,

" Please Note : Interest will be charged on all accounts calculated at 11.50% p.a. "

I would like to think the charge is not applied and good will always prevails. However I draw this to the attention of this enquiry.

Where can I read submissions that do not support rates capping ?

I look forward to this rates capping investigation/ enquiry and will look forward to a balanced favourable outcome with reasonings towards your resultant recommendations.

My wages have not increased for many years. I believe wage rises in private business do not increase at any where near the same rate as for rate rises set by my Council. I cannot afford my Councils excessive rate rises well above the CPI.

Yours Faithfully

Graham Jolly

A Ratepayer of the Cardinia Shire since 1973.