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Dr Ron Ben-David
Local Government Rates Capping and
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Level 37, 2 Lonsdale Street
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Dear Dr Ben-David

LOCAL GOVERNMENT RATES CAPPING AND VARIATION FRAMEWORK REVIEW – DRAFT REPORT – VOLUME 1

Thank you for the opportunity for Moonee Valley City Council to provide a submission to *A Blueprint for Change – Local Government Rates Capping and Variation Framework Review – Draft Report – Volume 1*.

Composition of the Annual Rate Cap

Moonee Valley City Council welcomes the proposed incorporation of the Wage Price Index at 40% of the annual rate cap. This is reflective of the nature of the activities and programs councils deliver across the State and the significant contribution Moonee Valley City Council, in particular, makes to its local community.

Council also supports the framework of indicative forecasts for the annual rate cap. Moonee Valley City Council is committed to accountability and transparency, with a strong focus on long-term planning.

Of concern, however, is the imposition of an efficiency factor. The Consumer Price Index is indirectly a measure of market efficiency and effectiveness. Whilst not reflective of the market for council goods and services, it is a measure of market pricing and therefore efficiency. An efficiency factor is therefore a duplication of the underlying principles of a consumer price index.

Furthermore, the Draft Report does not provide direction as to the future of the efficiency factor. With an annual increase in the factor of 0.05% each year, the Report is silent on the ultimate magnitude of the efficiency factor.

Application of the cap

Council is pleased to see that the annual rate cap will apply only to general rates and municipal charges only. Whilst the Draft Report implies supplementary rates are excluded from the application of the annual rate cap, they will be included in the general rates levied in the subsequent rating year.

Variation process

The Draft Report implies a rather loose framework for the consideration of a variation to the annual rate cap. Moonee Valley City Council undertakes extensive consultation with its community each year on the budget. This process commences in January with a *Have Your Say* campaign, inviting community input during the development stages. This is in addition to the statutory period of consultation on the draft budget. Whilst Council agrees a variation framework needs to be flexible, assessing an application on 'merit' without independent financial and business analysis is arbitrary, at best. The Essential Services Commission (Commission) is charged with the responsibility of reviewing the annual increase of service costs across a number of sectors in the State. These processes are well defined and robust, involving financial analysis.

The variation process lacks a process for appeal. A framework underpinned by independence and transparency must have an appeal process. A review of the timelines for the 2016-17 rating year as outlined in the Draft Report does not provide adequate time for an appeals process or the capacity to revise the budget in time, with council to be advised of the success of their applications until May 2016. The *Local Government Act 1989* requires Council to adopt its annual budget (including its Strategic Resource Plan) not later than 30 June each year.

Length of Variation

Moonee Valley City Council strongly supports the ability to seek a variation for a period longer than one budget year. With a strong focus on strategic long-term financial planning, the ability to seek a variation for a period of 4 years provides stability in the delivery of hundreds of services to our community.

Council does not support the exclusion to revisit variations into the future. Excluding the review of an approved annual rate cap will have a negative impact on a longer-term approach to variations and impose greater burden on what is already an inadequately resourced body to oversee the imposition of annual rate caps across the State.

Moonee Valley City Council, through collaboration and consultation, aims to meet the needs and aspirations of its community. Council advocates that the sector continue to be involved in the development, testing and refinement and the Rates Capping and Variation Framework to ensure adequate planning has been undertaken. Implementation of the framework as outlined in the Draft Report will prove detrimental to our community.

Yours sincerely



BRYAN LANCASTER
Acting Chief Executive