

6 May 2105

Essential Services Commission,
Level 37, 2 Lonsdale Street,
Melbourne. VIC 3000

Re: **Local Government Rates Capping and Variation Framework Review.**

Dear Dr Ron Ben-David ,

This exercise is not only difficult but whatever the outcome, it will always be subject to criticism. So firstly, our congratulations for taking on such a task, and secondly, for providing a broad enough spectrum for the process.

The following two extracts from your paper will no doubt attract conflicting comment from both communities and Councils based solely on an inexact balance between the expectation of service level provided and the requirement for capital to fund those services.

“The Commission has been asked to design a framework that meets the Government’s commitment to cap annual council rate increases as well as to develop a workable process to assess any proposals by councils for above cap increases ...”

“...we expect councils will examine their own decision-making and management systems to ensure they support the long term interests of their communities and avoid any unintended consequences under the framework (variation process).

Reporting on best practice engagement with communities and their satisfaction levels in regard to service delivery will be another important part of the framework.”

The comment you make on “*best practice engagement*” is fundamental to the service / cost nexus, even that comes at a cost, and the challenge on how best an acceptable engagement can be incorporated within that nexus.

Within the following two extracts, answers in part to one of your earliest questions “*what are some of the key issues*” ... are covered

PRINCIPLE 6

The framework should support best practice planning, management systems and information sharing to uphold council decision making

- *Relevant information should be provided to ratepayers by councils in an accessible and timely manner to allow discussions and engagement with ratepayers on rate increases, services impacts and financial sustainability.*

Local Government Rates Capping and Variation Framework Review (Contd.)

PRINCIPLE 6 (Contd)

- *The engagement with the community by councils should be an integral part of the councils' annual and long term planning, budgetary and rates setting process. Evidence of effective engagement should form part of the case for seeking rate variations.*

OTHER MATTERS RAISED IN EARLIER CHAPTERS

22. *We are interested in hearing from stakeholders on:*

- *whether we have developed appropriate principles for this review*
- *whether there are other issues related to the design or implementation of the rates capping and variation framework that stakeholders think are important*
- *supporting information on the major cost pressures faced by councils that are beyond their control and the impact on council rates and charges.*

Other key issues that will help to clarify the purpose for and benefits of “ *developing an effective framework for capping rates*” that have a major influence are the following collection of external factors -

- a) The digital network has dramatically improved the immediacy of knowledge, the intricate detail of technical resources, and, as a direct consequence, the opportunities to more effectively use our creative and innovative capabilities.
- b) The global decline of fossil fuel usage and introduction of and ultimate replacement with renewable energy sourced from tidal, wind, solar and hydro.
- c) The necessity for and ready availability of clean, potable water coupled with an increase in the use of recycled water for the rural community.
- d) The need to focus more resources on the longer term relevance of our biodiversity assets.
- e) The productive potential of locally available foods harvested from both land and sea.
- f) The unique logistical strengths of our road, rail, sea and air transportation facilities and services along with the integrated character of the region viz. CBD, urban, rural, and coastal.

Other factors that further accelerate pressures on the existing structure and processes are the diminishing traditional industrial employment groups and an ever increasing resident population coupled with the continued growth of national and international visitors.

Any effective rates capping and variation framework is a delicate balance of fees and services that needs to be very carefully programmed, implemented, and reported against along with a clearly explained rise and fall formula.

WHY IS IT IMPORTANT TO GET IT RIGHT?

This question, with the accompanying metrics, conveys an assumption that all Councils need be self sufficient with a balanced revenue stream and expenditure program

Perhaps it should be.... **IS IT IMPORTANT TO GET IT RIGHT ?** or **IS IT IMPORTANT TO CAP THE SERVICE LEVELS ?** ... and for either of those, the answer could well be an integration of resources eg. funding programs, labour, plant and equipment, land & buildings, materials, and systems with adjacent Councils and State Government bodies.

Local Government Rates Capping and Variation Framework Review (Contd.)

In closing, whatever the outcome, the inadequacy of our current Council structure with its reactive processes, will continue to be the major factor behind the instability of key Council personnel and, in turn, the ever increasing frustration and angst that it causes our community and no doubt Council staff.

By focusing on the stability and quality of personnel within Council's core leadership group, we instill confidence and pride in who we are and what we do, and stem the loss of that vital, intangible corporate memory that is at the very heart of this most important project.

We wish you well and are more than happy to discuss in greater detail.

Yours sincerely,



Tom O'Connor
Executive Director

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Attach:

Example of inappropriate implementation of Ministerial guidelines.

- a) Ministerial Guidelines on Differential rating 2013
- b) Correspondence with City of Greater Geelong - over 12 months in discussion.