

28 August 2015

Local Government Rates Capping and Variation Framework Review
Essential Services commission
Level 37, 2 Lonsdale Street
Melbourne 3000

MOYNE SHIRE COUNCIL SUBMISSION

Moyne Shire Council has a number of concerns regarding the Rates capping and variation framework in its current form.

1. The council disagrees that all councils should be assessed by a singular formula. Rural councils have additional costs in delivery of services, because of the cost (both in time and money) of travel. In order to ensure that residents don't miss out on services, rural councils often have to provide an extra subsidy in order to deliver State and Federal services. Under the current proposal for rate capping the council may find it necessary to hand some services back to other levels of government, making rural people even more disadvantaged in the areas of health, education, household income, life expectancy, etc.
2. The issue of State-regulated fees has also been ignored. The planning fees Council collects are much less than the actual costs and the State won't let them be increased. The planning fee issue must have recommendations from the ESC to be cost recovery.
3. Council strongly disagrees with the inclusion of an efficiency factor for a number of reasons.
 - a) This was not included in the terms of reference.
 - b) Continuous Improvement (efficiency factor) is a tool that Moyne Shire Council has used for many years to offset cost shifting. It was also a strategy identified in "Closing the Infrastructure Gap Report". All rural councils use it to find extra funds to address their roads and bridges challenge.
 - c) The Federal Government has cut Council's revenue by 2% by capping the FAG indexation, and the State Government has cut the Roads and Bridge funding by 2%. Council will be using continuous improvement to try to address this.
4. Council approves of the proportioning of the increase between WPI and CPI, but disagrees with the use of the CPI as it does not reflect the purchasing cost to councils. It would be better to use a construction index that better reflects council costs.

5. Council is pleased that waste fees have been excluded.
6. The timing of the implementation of rates capping and variation does not match with the current 4 year plan of councils (required by legislation), and consequently some planned and advertised projects may now be put at risk.
7. Council is concerned that, under rate capping, it will not be able to compensate for cuts in funding by the State or Federal government, or respond effectively to emergencies, unless it cuts it's expenditure in renewal, or borrows. Such actions may undermine the sustainability of the council.
8. Currently council contributes to local communities through its community assistance grants, and festivals and events funding. These funds will be put at risk under rate capping.
9. Under rate capping, the budget will drive the needs of the shire, rather than the needs of the shire influencing the budget.
10. The ESC holds the variation process as the solution to a range of issues but there are a number of concerns with this:
 - a) the requirement to apply for a variation will impose further cost to council's budget, both in time and staff resources, but will not deliver any extra service for the expenditure
 - b) There will be a time lag (unknown at this time) between the application for a variation and it's approval or refusal. This will add further to council planning being delayed or interrupted.
 - c) application for a variation could impact negatively on Council's public image.
 - d) there will not be time or resources to enable the Council to use the variation process in the 2016-17 year
11. The activities related to preparing and reporting for rate capping will impose extra costs (in time and resources) on Council



David Madden
Chief Executive Officer