



Our ref: EK:pb

File No: 52/04/02

28<sup>th</sup> August 2015

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

Dear Dr Ben-David

**RESPONSE TO THE DRAFT REPORT**

**LOCAL GOVERNMENT RATES CAPPING AND VARIATION FRAMEWORK REVIEW**

Thank you for the opportunity to make a submission on the draft report for, Local Government Rates Capping and Variation Framework Review.

Pyrenees Shire Council is one of the smallest rural councils in Victoria. With a population of 6,979 and in excess of 2,000 km of roads the Pyrenees Shire Council deals with the challenges of future sustainability on a daily basis.

The Pyrenees Shire Council has the third lowest average rates (including municipal charges and waste management charges) for 2015-16 per assessment in Victoria (MAV – 2015-16 Victorian Local Government Rates Survey). With \$40,148 of infrastructure per head of municipal population, Pyrenees Shire Council's capacity to renew and maintain its assets is limited.

As one of the 18 councils identified in the Whelan report, Pyrenees Shire Council has limited capacity to adequately service its communities under the current environment, the introduction of a one size fits all rate cap will only further exacerbate the future financial sustainability of Pyrenees Shire Council and all small rural councils.

The priority concerns of the Pyrenees Shire Council in relation to the proposals set out in the draft report are summarised as follows:

- The proposed CAP uses Underlying CPI on 60% of Councils cost base to determine the annual and forecast CAP. Further consideration needs to be given to the relevance of the Underlying CPI and small rural Council's expenditure mix. The inflationary pressures of construction in remote small rural councils is very different to our metropolitan colleagues and needs to be factored into the CAP.

*....continued*

**Pyrenees Shire Council**



5 Lawrence Street  
Beaufort Vic. 3373

Telephone: 03 5349 1100

Facsimile: 03 5349 2068

Email: [pyrenees@pyrenees.vic.gov.au](mailto:pyrenees@pyrenees.vic.gov.au)

[www.pyrenees.vic.gov.au](http://www.pyrenees.vic.gov.au)

- The variation process is complex, costly and inefficient. Consideration should be given to a simplified variation process for small rural councils and minor variations.
- The ESC has not made a recommendation on who bears the cost of administering the framework and the variation process. Small rural councils should not be burdened with the cost of administering the framework or the variation process. A 1% rate rise in the Pyrenees Shire equates to \$73,000. The cost benefit of applying for a variation of 1% would be marginal under the proposed system. Should the cost of administering the framework be passed onto Councils this would just be another example of cost shifting by the State Government.
- The ESC plan to set the rate cap each December for the next financial year, along with the forecast cap for the two following years does not align with Council's planning process and the requirements to produce a four year Strategic Resource Plans. Based on the timings of the proposed variation process councils would have to prepare two budgets in December (one using the CAP and one with the proposed variation), undertake section 223 consultations in January when the community is on holidays in order to be able to submit a variation in March. It is difficult to understand how this process supports the objective of the framework to increase transparency and community consultation. Council is also required to adopt a 4-year Strategic Resource Plan every year so the ESC should provide a three year forecast cap rather than two, so that it aligns with the SRP.
- Information required for monitoring should be collected through existing reporting regimes rather than creating another reporting process and increasing Councils compliance costs.
- One size does not fit all and consideration should be given to a small rural council CAP. Small rural councils have limited funding sources compared to our metropolitan counterparts and a far greater infrastructure burden per capita. These unique circumstances need to be factored into a small rural council CAP.

Thank you again for the opportunity to make this submission. For further information or to discuss this matter further, please do not hesitate to contact me on 5349 1100.

Yours faithfully,



Evan King  
Director Corporate & Community Services

Pyrenees Shire Council

