

**TO THE RATES CAPPING REVIEW FRAMEWORK COMMITTEE,**

**PEGGING MUNICIPAL RATES:  
A PAPER ON HOW TO IMPLEMENT THE POLICY**

**By;**

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## **SUBMISSION**

### **Background:**

The question of whether or not to peg rates for municipal councils has a long and contentious issue nationally, but not so much as here in Victoria as in other states.

While I was President of the State ALPs Local Government Policy Committee, in the 1970s and 80s, the subject cropped up several times over the years for inclusion in policy. The final vote after much detailed and informed discussion was always close. Other issues always intervened, but the pegging rates' arguments were varied; the most potent one was should we leave the decision to local councils. The new State Government has now decided as a matter of policy shortly before the 2012 election, to introduce the pegging of rates.

Quite a few local government units have been boosting their rates well above the CPI, not always due to cost pressures, but for many of their own reasons. This view comes into the overall equation of considering pegging rates. Things have changed a lot since the eighties. A few Councils are struggling financially because government grants and other support funds have ceased or have been dramatically reduced. Amalgamations occurred under the Kennett government and most have absorbed them. This was a serious issue in the developing outlying Metropolitan suburban municipalities and with many of the smaller rural councils. Capital works in the outer suburbs and the lack of a viable financial base in many rural areas are now the major cause.

My experience as a long time serving Councillor and former Mayor with the (then) City of Williamstown and a long time standing member of the ALPs Policy Committees (see above), has given me a good background to understand local government and how it works. The system is essentially conservative. It does not like change, even when change is necessary. The main drivers in Council are not the elected representatives, but the senior officers' thanks to administrative changes introduced by the Kennett Government and subsequent governments. In many instances, local government democracy has gone backwards, mostly due to the lack of power formerly given to Councillors. Under the rather strange and peculiar contractual arrangements, many senior officers' salaries are based on the number of staff they employ and the size of the total budget the Council expects. This has produced a tendency to overstaff and to increase rates higher than required. Much-needed capital works have seen the same tendency, the more capital Councils raise (mostly by increasing rates because of declining state based revenue;) the more staff can be employed, and the larger becomes their salaries. So the argument goes on.

### **POSSIBLE LEGISLATION:**

1. Below are a number of requirements to pegging rates. It is suggested that rate pegging should not be attached to the Local Government Act, but given its own legislation. This will

emphasise its importance and cannot be hidden within the Act. The 'new' 1987 Act reduced the number of useless appendages and many contradictions that made the 1957 Act so cumbersome and difficult to read and understand of what was expected from local government in a strategic sense. The destruction of the concept of Ultra Vires helped but new additions have increased confusion about what is now expected of local government; these were imposed by governments as the opportunity arose in the years that followed 1987.

2. Rate pegging can be an important tool for both local government and the government itself, if used properly. It can expose the hidden under-funding that many rural units of local government are experiencing. It will also expose the excessive incomes of quite a few, mostly quite large metropolitan units of local governments. It is important to understand when any of the persons appointed to assess local government rates after they knowingly exceed the CPI. They must have knowledge of local government. They should also understand the ramifications and subtleties of local government funding and costs imposed on low-income earners. They should be able to separate out what ought to be and what is not required.

3. This submission supports the establishment of several panels who can assess rate pegging when the CPI is exceeded. It is suggested that not more than four panels in total be appointed, the numbers and composition of which depends on the minister's views and any legislation. There should be two panels for non-metropolitan areas and two for metropolitan local government. The membership for each panel should be flexible.

4. It is imperative that a strong and well resourced research branch services all the panels. Statistics, in social composition, the economic strengths and weaknesses and any problems with financial structures should be compulsory. It should provide information to every panel member. It is essential that panel members must have good, alternative information in addition to the information provided by the respective local government units.

5. When the Minister announces a panel to examine an application from any local government body when rates exceed the CPI, certain pre-conditions and outcomes should be expected. The minister should call for public submissions from local communities to allow the appointed panel to gauge local opinions and views apart from the Council concerned. The panel should provide clear and publically available reports to both the Minister and the public. These should be compulsory aspects of the legislation. It is also suggested that the CPI figure used should be from the previous years' national CPI figures as the relevant guide in Victoria.

6. Speed is of the essence, there are limited time frames between a council announcing its rate for the forthcoming year and actually implementing its final decision on rates. Normally, only a few weeks are involved to allow the local administration to prepare the necessary paperwork. The legislation should have specific time frames from the date of the council's

submission to the Government and a decision being handed down by the Minister. It is further suggested that the dates and timing for the various land valuations be examined as not to cause conflict with a Council assessing its rates figure for the following year that may impact on the ministerial decisions.

7. It is the decision by the minister as to how long panel appointments are for and what the financial expenses are for each panel and members of a panel. Lay panel members should be all part-time. A full-time chair of all panels should be appointed, who will then appoint in turn individual panel members to a specific panel from a list of panel members. A panel member must not sit on a panel assessing a submission when he or she is from that local government area where they live, own a property or a run a business in that selected area. Individual panels should not comprise of not more than four members, the chair of which shall have a casting vote if deadlock occurs. When a decision is made, the decision is binding on all panel members. The recommendation/s is then submitted to the minister, who shall decide to accept or reject. Any reason for variation must be made public and the reasons why.

8. All submissions to a panel are not confidential and are freely available to the public. All localised meetings will be open, public meetings with free and full access to the meetings organised by the panel/s. Each panel in all sessions will be serviced by a record keeper, and a community organiser/liaison person appointed to each panel by the chairperson of all panels. Penalties should be imposed in case of improper behaviour by the public in open meetings or behind the scene and imposed on all panel members. No legal representatives in open sessions will be accepted.

#### **CONCLUSION:**

Pegging rates will be contentious locally, rural councils will not like it, they are mostly cash strapped, but if meetings are open and panels are fair, protests will be muted. In the metropolitan area, some municipalities are overstaffed and impose excessive rates. In some cases, this is not so and do think of the ratepayers and residents. Wealthy municipalities generally have large incomes but a few do not provide much service to those in need; they have low rates but poor service records. Short of breaking up these large, wealthy municipalities, there is little one can do.