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

GPS Ref: OUT15/17373288
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To Whom It May Concern

Submission to 'A Blueprint for Change'

Golden Plains Shire Council would like to take the opportunity to provide a submission to the Draft Report issued in July 2015.

Apart from the fact that the proposed framework is based on the broad assumption that Victorian councils are not operating efficiently, Council is generally accepting of the principles proposed in the Draft Report. However, it would like to request that the Commission further consider the following issues before preparing the Final Report.

Applying a single 'cap' to all Councils.

It is widely accepted that not all councils within Victoria have the same capacity to raise revenue from sources other than Rates and Charges. This clearly puts them at a disadvantage in maintaining sustainable revenue levels under a rate capping framework. This is supported by the data contained within the Victorian Auditor General's Annual Report on Local Government results.

To date, the response to this concern has been that such councils will be directed to the variation process to ensure they maintain sustainable revenue levels. However, this appears to run contrary to the statement '**All things being equal, we do not expect a large number of applications each year**' or statements such as '**variations will be a rare exception**'.

Council requests the Commission to consider a tiered cap that considers councils' revenue earning capacity, rather than requiring them to apply for variations on a regular basis.

Efficiency Factor

Although the proposed efficiency factor is minimal, it was not included in the initial 'Terms of Reference' and would appear to add an unnecessary layer of complication to the calculation. Council understand the objective of 'the cap' is to drive further efficiency

in Local Government, but believe this will be achieved utilising the proposed formula excluding the efficiency factor.

This is particularly the case when considering Victorian councils have been, and will be, faced with the following challenges:

- cost shifting;
- 'freezing' of Federal Assistance Grants;
- reduced funding in certain areas; and
- rising costs of construction and asset maintenance that are in excess of CPI.

If an efficiency factor is to be included in the calculation, then Council believes that it should only be considered as part of the initial comprehensive review of the Framework (currently proposed after 4 years).

Timing of variation approval

As acknowledged in the Draft Report, there is a major challenge in achieving the deadlines required within the Local Government Act 1989. Under section 130(3) of the Act, councils are required to have their budget adopted by 30 June each year and also under section 129(3)(b) are required to place the budget on public submission for a period of 28 days.

Given the proposed timeline is for councils to be notified of a decision regarding the variation in May each year, this will not allow sufficient time to update its budget and Strategic Resource Plan, place it on public exhibition for 28 days and adopt it by 30 June.

Council believes the deadline for notification needs to be moved to 30 April at the latest (all else being equal).

Additional cost of monitoring and reporting

Further consideration must be given to the method in which the framework is going to be monitored and reported. In order to maximise efficiency within councils, data should be obtained from existing reporting data already provided by councils to the various State Government agencies.

Transitional Arrangements

The Draft Report does not provide for a transition period. Council believe the following issues should be considered before preparing the Final Report:

- The implementation date would be better deferred to 2017-18, given 2016-17 is the current councils last year of its term and has already prepared and adopted a four year Council Plan and Strategic Resource Plan.
- Given the tight timeline for implementation, consideration should be given to increasing the cap by a nominal amount in year one (say 1%). This will give most councils a better chance of delivering the objectives already adopted within the last year of its Council Plan.

I trust you find the discussion contained within this letter constructive and trust the issues will be considered in developing the Final Report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Clissold', with a long horizontal stroke extending to the right and a vertical line at the end.

Jason Clissold
Acting Director Corporate Services

