



WEST WIMMERA SHIRE COUNCIL

File Ref: FM0002/WWSC

28 August 2015

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

Dear Sir/Madam,

**Re: SUBMISSION TO THE ESSENTIAL SERVICES COMMISSION – A
BLUEPRINT FOR CHANGE, LOCAL GOVERNMENT RATE CAPPING AND
VARIATION FRAMEWORK REVIEW DRAFT REPORT VOLUME-1**

Our Ref: 15/001478

West Wimmera Shire Council (WWSC) has considered the Local Government rate capping and variation framework review draft report (the draft report) and provided its response.

West Wimmera Shire Council commends the Essential Services Commission (ESC) team for their recent visit to our Edenhope Council office, to discuss the draft report and listen to West Wimmera Shire Council's specific challenges in light of the proposed rate capping regime.

Draft recommendation 4 in the draft report recommends that the annual rate cap is a percentage rate based on 60% CPI, plus 40% WPI and minus the efficiency factor. West Wimmera Shire Council believes that this approach could be slightly modified to support Small Rural Councils.

West Wimmera Shire Council would like to suggest that the ESC considers a rate cap that is a maximum increase of \$700,000 in overall rates from year to year or rates generated by Annual Rate Cap rate, whichever is higher, to be adopted as the rate capping rate. In simple terms, Councils will be allowed to increase their rates up to \$700,000 from year to year, irrespective of the rate capping rate advised.

West Wimmera Shire Council believes that the above adjustment to the proposed framework provides greater justice to small rural Councils and eliminates unnecessary administrative processing for small rural Councils, and also for the Essential Services Commission.

West Wimmera Shire Council has considered the following matters in proposing a \$700,000 limit along with a percentage increase limit:

1. Based on 2015-16 rates, a 1% rate increase to West Wimmera equates to \$65,330.61, whereas a 1% rate increase to Melbourne City equates to \$2,436,010. Applying the % approach assumes that West Wimmera Shire Council has a similar capacity to manage rate capping on-par with Melbourne City Council. Considering a % approach is against the ESC's principle of diversity.
2. For Small Rural Councils like West Wimmera, \$65,000 equates to delivering an essential service to the community that is otherwise delivered by a non-local government agency in metropolitan areas. For example, due to its remote



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geographical location the West Wimmera Shire community has significant mental health issues, resulting in a higher number of suicides. Council currently supports a program called Rural and Remote Engagement (RARE), in partnership with Wimmera Uniting Care and neighbouring Councils to help prevent suicide. This is not a service that is required to be provided by a local government. However, our Council has a moral and ethical responsibility to support this service in the interest of our community wellbeing. Supporting these services not only complies with Principle 3 (“Responsibility”) of the rate capping framework, but also reduces the need for more State and Federal funding in the health and wellbeing areas.

3. The proposed rate capping has approximately 40% weight to Wage Price Index. For a small Council like West Wimmera, the cost of wages is more than 90% as a proportion of its total rate revenue. A generic approach based on 40% weight to Wage Price Index would put a small Council like West Wimmera into significant financial stress.
4. West Wimmera Shire Council delivers programs and activities on behalf of state and federal governments (such as the Material & Child Health MCH Service). The projected escalation of required funding for those services is approximately 2%. Hence, West Wimmera has to bridge the cost escalations using rates revenue to deliver services on behalf of other tiers of government
5. Small Councils like West Wimmera must have significant investments to address their declining population. Currently, there are no programs from state and federal governments to address population decline issues.
6. A \$700,000 cap together with a % cap will eliminate unnecessary administrative work for small local Councils and the Essential Services Commission. As a result of this variation, up to 25 Local Government agencies won't need to approach the ESC for minor variations in rate capping.

West Wimmera Shire Council would also like to support the ESC draft recommendation 9, that the ESC must be the decision-making agency under this framework. It is essential that the administration of the rate capping framework be independent of the political environment.

In conclusion, West Wimmera Shire Council believes that with a minor variation of a \$700,000 cap, the value of the proposed rate capping framework will increase significantly and allow the framework to comply with its principles.

Yours faithfully

Venkat Peteti
General Manager Corporate and Community Services