



Dr Ron Ben-David – Chairperson  
Essential Services Commission  
Level 37, 2 Lonsdale St  
MELBOURNE VICTORIA 3000

8<sup>th</sup> May 2015

Dear Sir,

### **Local Government Rates Capping and Variation Framework Review**

I write on behalf of the Institute of Public Works Engineering Australasia, Victoria Division (IPWEA Vic) in response to your invitation to comment on the Consultation Paper released on Friday 17<sup>th</sup> April 2015.

The IPWEA Vic is concerned that the implementation of a Rate Capped environment in Victoria, unless carefully managed and routinely audited, will see councils strive to operate within the new financially constrained environment by reducing expenditures on infrastructure assets and by reducing operating expenses through technical staffing resource reductions.

The IPWEA Vic is currently undertaking a series of three workshops in regional Victoria and one in metropolitan Melbourne. Attendees are professionals working for councils and within the Sector. The Terms of Reference that the ESC have received are outlined and direct feedback is obtained from attendees on the perceived challenges and opportunities that they see likely with the introduction of this government policy initiative..

The information being gathered through these workshops will be used to inform a further IPWEA Vic submission to the ESC on the operational framework and guidelines you are producing when the draft is released for public comment in July 2015 before the final report is publicly released in November 2015.

Our Institute is very keen to identify opportunities and practices for our members that will enable them to respond effectively to the demands of the new financially constrained environment arising from Rate Capping in such a way that the professional skills and capacity of the LG sector is not diminished and that required funding for infrastructure asset maintenance and renewal is not unreasonably compromised.

In general terms, we would support the adoption of an appropriate Index. To assess the workability of this approach in NSW we have engaged a leading Public Works Professional Engineer from NSW to address the final workshop of our program on 29<sup>th</sup> May. He will advise, based on his NSW experience, our members and sector stakeholders of the best management strategies to adopt to meet the challenges without compromise to services outcomes to our communities.

It is also very pleasing that a senior staff member of your organisation has agreed to address delegates to this final workshop. This will help to reinforce the importance of a clear understanding of the objectives of Rate Capping with our members.

In regard to the principles you have outlined lined in your consultation paper, IPWEA vic is supportive of these and would urge that effective performance compliance reporting and auditing is established to ensure that these objectives are sustainably achieved. The idea that where additional resources are sought and approved by the ESC and importantly with community engagement, is strongly endorsed as this will prevent the erosion of resources from the justified and intended program areas particularly those that relate to the long term sustainability of local governments.

In parallel with the introduction of Rate Capping, the IPWEA vic would also strongly support the advocacy for increased commitments by councils to capital funding for infrastructure renewal and upgrade through borrowing.

There is very clear evidence that debt levels across councils are relatively low and these could be sustainably increased without excessive risk. However it is submitted that councils should be assisted by government to gain access to better financing through lower interest loans. Access to lower cost finance should not have to rest with individual councils to try and negotiate with their bank. The sector is enduring and lending risk is low so all councils should have access to the cheapest funding possible for investment in public infrastructure.

The current debt averse culture is unhelpful and simply will result in the indefinite deferral of necessary refurbishment and upgrade work or the waste of funds on inappropriate measures to manage demands and safety risks which in themselves add to congestion problems, delays and nuisance and diminution of local amenity.

Strong measures will be needed through the Rate Capping guidelines to ensure that “quick fix” approaches are not grabbed at to the detriment of key elements of councils’ responsibilities. These include Service Planning, Asset Management Plans, Road Management Plans and the Long Term Financial Plans. If this is not done, there is a risk that budget cost reductions, to stay within the cap, will simply defer important asset preservation expenditures, reduce the quality of services delivered to our communities and erode the professional capacity of the sector.

Thank you for the opportunity to make this initial submission and I look forward to providing further feedback following completion of our information seminar series in May in response to the release of your commission’s draft Rate Capping Framework and Operating Guidelines in July 2015.

Yours Sincerely,



Ross Goynes – President

IPWEA vic