

**Submission to Essential Services Commission  
Local Government Rates Capping and Variation Framework Review**

15/5/15

## 1. The Association's Position, And Influencing Issues

Thank you for this opportunity to have input into this important process.

The Association strongly supports rate capping and, particularly, requiring Councils to be far more thoughtful, responsible, transparent, accountable and consultative in how they both raise - and spend - ratepayers' money.

The Association's views are influenced by having a Council which performs very poorly on all of the above categories (not only in financial matters), and which consistently performs poorly in key communication, performance and engagement areas of community satisfaction surveys. It is a Council in which there is little if any community confidence. We see some of the key difficulties as:

### A Council which:

- a) Is considered to 'spin' and manipulate what it says and does. It is not seen as honest, open or forthright.
- b) Is seen as more interested in protecting **its** interests than community interests.
- c) Is seen to operate 'behind closed doors'.
- d) Acts first, may ask later.
- e) Has formalised its consultation framework to support consulting those it deems "stakeholders" rather than the community as a whole.
- f) Is strongly considered to consult incompetently or incompletely (relevant information not made available); cynically (with pre-ordained outcomes) or not at all.
- g) Has a voting block which ensures decisions Council takes in isolation of its community succeed.
- h) Fails or refuses to be accountable for what it does (e.g. residents are often told to get information under FOI when Acts require such information to be freely available, or requested information is "lost" or simply not provided).
- i) Hides behind commercial-in-confidence provisions (e.g. Council refuses to disclose income or expenses from concerts held at Hanging Rock).
- j) Prioritises its ambitions for empire-building and entrepreneurial ventures
- k) Prefers acting to promote and advantage individual interests over community and public interest.
- l) Wastes money doggedly pursuing large, 'pet' economic development projects it and it alone decides to pursue, without consultation, and is not transparent or accountable about the sums so wasted.
- m) Seems to consider itself 'above' the community (i.e. it knows best); opposing voices are publicly called 'a noisy minority', or the people from the town of 'no'.
- n) Not only continues to impose similar rate increase levels regardless of other or higher level economic influences, but is putting the Shire into the highest debt (by some margin) in its history.
- o) Is pursuing a growth and economic development program which conflicts with the State government's commitment to legislate to protect the natural resources of the Macedon Ranges from damaging development, and with the community's high level support for protecting the environment and maintaining a rural Shire. *Survey, July 2014*

**Budget processes and documents which:**

- p) At community level, are considered unfathomable and intimidating i.e. re Budget documents: “need a degree to understand”
- q) Are not adequately explained or defined – *in plain English* e.g. What do the Budget charts and tables mean/represent?

**A Community which:**

- r) Considers Council consistently fails to appropriately consult or respond to community views.
- s) Feels disempowered, bullied, disrespected, criticised, and not represented by its elected councillors.
- t) Is highly cynical and disillusioned with both how Council performs, and lack of mechanisms/authority/oversight at higher levels to prevent/stop undesirable behaviour. Who is the “gatekeeper”?

**State governments and agencies which:**

- u) Seem to think ratepayers are well off by being able to vote once every four years, and should put up with whatever goes wrong until the next election.
- v) Don't have or won't exercise powers to investigate community complaints. The perception is that no-one at State level has or will take responsibility for a badly behaving Council.
- w) Empower Councils with privileges and powers similar to State government, without imposing equal requirements for accountability and transparency – e.g. there is no Upper House in Local Government, or mechanisms for communities to review or veto Council decisions.

We provide a small example of the difficulties our community faces at **Appendix 1**. Council is tending to approve and fund projects years before they commence, as if obtaining approval in advance, then rolling them over into successive years. However, the projects, along with levels and sourcing of funding, are changed over time, and may also not correspond with funding arrangements elsewhere in the Budget. This makes it very difficult for ratepayers to know or understand what Council is doing, and spending. The example we provide relates to the Gisborne Office Extension project, which appeared unannounced as a \$800,000 Budget item in 2013/14. Despite escalating costs, there has been no community consultation, either about undertaking the project in the first place, or its form and costs.

We also provide at **Appendix 2**, a copy of a letter the Association has sent this week to local papers about the Budget currently on exhibition.

## **2. Comments On The Proposed Rates Capping And Variation Framework**

### **Create a Robust Framework**

- a) While recognising not all Councils are the same or as bad as ours, the Association urges the Commission to produce a Framework that has the scope, capacity and strength to address *the worst case scenario*, i.e. has the ability and flexibility to address the lowest denominator.

### **Consultation**

- b) There is little point in requiring Councils to demonstrate they have engaged with and considered ratepayer and community views. Our Council will tell you it already does that, when all it does is go through the motions so it can say it has done it. Quality of process and engagement isn't measured, and Council claims will be given more weight than community dissatisfaction.
- c) Require Councils to consult (i.e. get ratepayer endorsement) on proposals over a certain amount BEFORE spending money on them. The value of the proposal must be relevant to the Council's overall financial position i.e. apply a value that recognises differences between metropolitan and rural Councils.

### **Improve Accessibility and Information**

- d) Introduce plain English, State level explanations into Budget documents of what each category or element of a Budget represents – i.e. what is it, what is its overall relevance and role, and what do results mean?
- e) Require Councils to exhibit and explain quarterly reports.
- f) Require Councils to maintain the previous five years' budget documents on its website – without them, it is impossible to compare how Councils perform from year to year, and over time.
- g) Require higher levels of disclosure and improve community rights to access all aspects of Council's financial operations.
- h) Make it mandatory for Councils to produce a 4 year Council Plan *Action Plan*. Our Council claims it has a 4 year Council Plan, but only produces an Action Plan on a year by year basis. Council "review" of its Action Plan consists of creating it annually. The community doesn't know what Council's plans are until the Budget is placed on exhibition each year.
- i) Require Budgets to be more specific e.g. eliminate "other" categories in Budget documents.

### **Give Equal Weight To Empowering Ratepayers/Communities As Maintaining Council Autonomy**

- j) Create a mechanism for communities to appeal to a higher level for review and investigation of Council financial operations and performances.
- k) Definitions and criteria, not only of exceptional circumstances, must be solid, clear and enforceable.
- l) Publish guidelines and fact sheets for community, not just Councils.

### **Expand The Scope Of Accountability And Transparency To All Forms Of Income And Expenditure**

- m) Don't stop at rates. Borrowings and Financial Reserves are also a substantial concern, as are "other" undefined forms of income. With the proposed Framework capping rates, what stops a Council borrowing its way out or draining financial reserves, with potentially disastrous results for ratepayers? These at a minimum must be addressed in the Framework, as well as capping rates, and their use made as accountable and transparent as possible.
- n) Require Councils to specifically declare and explain (justify) variations from what it said would happen in one Budget, and what actually did happen.
- o) Require Councils to provide a running sheet of movements into and out of Financial Reserves during the financial year.
- p) Require Councils to be explicit in accounting for borrowings.
- q) Require Councils to provide full accounts of any investments it has – what, where, how much, why.

### **Funding of Framework Operations**

- a) Apply a fee to requests for above inflation rate setting.
- b) Apply fines to Councils that do not meet Framework requirements.

### **MARRA Contacts:**

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Macedon Ranges Shire Council Budget Funding Proposals/Approvals For The Gisborne Office Extension

2013/14 Budget Item: Gisborne Office Extension

Budget

@ Capital Works (New) \$800,000 (total cost to Council) \$800,000

Council Minutes 12/6/13:

*“That Council remove the \$700,000 loan from the Gisborne Early Years Hub;  
That Council borrow \$700,000 and allocate it to other capital works projects that were due to be undertaken with rate revenue (as shown on pages 43-45 of the Draft Budget)”*

\$700,000

Further Council motion to delete \$800,000 payable from Council funds and allocate the new \$700,000 loan to Gisborne Office Extension – *approved when?*

2014/15 Budget Item: Gisborne Office Extension Parts 1 & 2

Budget

@ Capital Works (New) \$800,000 (from Reserves/Loans/Asset Sales)

@ Capital Works (Prior years) Pt 1 \$800,000^ (from Reserves/Loans/Asset Sales)

*^ \$700,000 loan from 2013/14 rolls over to 2014/15 as an \$800,000 ‘previously approved’ loan*

@ Financial Reserves

Gisborne Office Extension is **not** a project funded from Financial Reserves.

@ Borrowings

*\*New borrowings (\$1.25M) to complete second stage of (two projects) started in 2013/14*

*\*Project to take place over two financial years and we will spend \$1.6 million on Gisborne OE*

*\*\$700,000 loan for first stage of the Gisborne Office Extension was approved in the 2013/14 Budget.*

\$700,000 loan included in ‘previously approved’ borrowings +

\$800,000 loan included in new borrowings

2015/16 Budget Item: Gisborne Office Extension Part 1

Budget

@ Capital Works (New) \$800,000  
(\$300,000 cost to Council, \$500,000 loan)

@ Capital Works (Prior years) \$1,200,000  
(\$200,000 from Reserves/Asset Sales, \$1,000,000 loan #)

# Previously approved “\$1M loan” - Council says the *previously approved loan* is \$1.5M at p57

@ Financial Reserves

Gisborne Office Extension is **not** a project funded from Financial Reserves

@ Borrowings

*The \$1.5 million dollar loan for the first stages of the office extension were approved in the 2013/14 and 2014/15 budgets*

Gisborne Office Extension is **not** identified as a project funded by new borrowings in 2015/16.

\$1.5 million appears to be included in ‘previously approved’ borrowings.

**It is almost impossible to understand Council’s financial position on this project, or its true cost. Plans for the extension have never been made public, and no community consultation has occurred on this project.**

*Macedon Ranges: an **ENDANGERED** environment*

**Letter to Editor**

14 May 2015

**Council Budget: A Mountain Of Debt**

When this Council was elected in 2012, Macedon Ranges Shire owed \$4 million. This year's Budget rockets debt to \$14 million: Council is borrowing another \$6.5 million. \$817,000 of this borrowed money is ear-marked for future repayment of loans. Debt servicing is out to \$824,000 this year (\$500,000 interest).

Anyone remember current councillors saying they would do this when they ran for Council?

How about the unseen, unconsulted, unexplained Gisborne Office Extension. Stage one costs, originally \$700,000, are now \$1.5 million, with a new \$800,000 (\$500,000 loan) cost, and a mysterious \$1.2 million (\$1 million loan), up for approval in this budget. Compare this with the \$1.6 million from rates Council will spend on roads.

This year Hanging Rock funds are moved from a mandatory Statutory Financial Reserve (required by law) to a Discretionary Financial Reserve (kept at Council's discretion). What's going on? Isn't the Rock public open space and a community facility anymore? No sign of concert income, either.

Although it's good \$40,000 goes to street tree renewal, more (\$55,000) is spent on something called "Events and Festival Co-ordination".

Council's ubiquitous "under 5%" rate rise (well above inflation), together with increases in charges, reaps an additional \$2.6 million (or +6.2%) in Council's total rates and charges income.

Don't overlook Customer Fees and Charges (Appendix C4). Most of everything the community pays for goes up. Most of everything developers pay for doesn't - in fact the building fee for "multiple units" drops \$1,000.

There's more but even these examples say this budget isn't fair, responsible, transparent or accountable; Council's isn't putting community first; and Council's obsessive borrowing is taking the Shire into deep debt.

Budget documents are on Council's website. Make a submission before noon on May 29 (copy to Mary-Anne Thomas and the Minister for Local Government).

Christine Pruneau,  
Secretary,  
Macedon Ranges Residents' Association Inc.

298 words