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27 August 2015

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

Dear Sir/Madam

**Submission to the Local Government Rate Capping & Variation  
Framework Review**

Hindmarsh Shire Council (HSC) has considered the framework review paper entitled "A Blueprint for Change" and is pleased to submit a response to the questions raised.

Council is exceptionally disappointed with the model proposed in the document which does not embrace any of the feedback provided by the Local Government sector, in particular the small rural group of councils who will be impacted most by these changes.

In particular we comment on four issues within the blueprint:

**Wage Price Index:**

The adjustment of CPI by the Wage Price Index is an inappropriate measure. Whilst wages are a significant component of Council costs, this is one of our few "controllable" costs through our EBA process. Councils are suffering from escalating costs, but this due to items such as construction costs and service transfers from other levels of Government. It is these components of our cost base that make CPI an inappropriate basis for rate capping. Adjusting the rate cap by a published Wage Price Index is clearly a response to Union advocacy and will adversely impact future EBA negotiations.

**Efficiency Factor:**

The inclusion of an efficiency factor (**Recommendation 4**) does not recognise the complex nature of service delivery within the Local Government environment. Decisions such as this should be the domain of councils in considering the levels of service they wish to provide within their communities based on community need. Many rural communities already experience a level of service well below that of metropolitan areas. An example may be library services, which in two of our towns are only available to our residents for two hours every fortnight. Suggesting that councils need to implement further efficiencies essentially confirms our rural residents as second class citizens. It also does not recognise the renewal gap that most Council's face.

The efficiency factor should also be reconsidered given the impact of the indexation freeze from the Federal Government Financial Assistance Grants.

There is an embedded assumption by the inclusion of the efficiency factor that Councils are inherently inefficient. I can assure you that the only way small rural councils can survive is by being very efficient. We rely heavily on the goodwill and ingenuity of our staff who consistently provide extra hours without pay to provide services in our municipality. The proposed efficiency factor is completely out of step with the reality of life in small rural Councils.

Timeline:

The inability of the ESC to make variations to a requested cap variation (**Recommendation 9**), will be very restrictive in terms of managing Council's budget process. The late withdrawal from the budget of what could be a significant budget item, may lead to a significant rework of the entire budget.

The proposed timelines (**Report Table 5.1**) are very tight:

- Council does not traditionally meet in January yet this is when they are meant to be approving variations.
- Council needs time after ESC variation notification, to put the final budget to Council, give notice to the public, have the 28 day public consultation process and then allow adequate time to hear submissions arising from that process. Any significant changes to the budget in this consultation would definitely not be subject to further community consultation if Council is to meet the 30 June deadline for adopting its budget.

Variation Process:

The costs of making a variation would be significant. How will council costs associated with the making of a variation be met? Will there be some compensation particularly for smaller councils? Our Council is typical of most small rural councils and has no surplus capacity in its finance department, having a total compliment of 2.5 FTE. To put this further into perspective, preparing a variation request will require additional staff resources. Even if we assumed only a very conservative estimated cost in terms of people and resources of \$60,000, this is the equivalent of a 1% rate rise for our Council. Fulfilling the variation process will incur additional costs and make it prohibitive.

Historical practices when it comes to providing rate increases, ie previous increases that were tagged to specific capital works to address the gap in infrastructure renewal, should be taken into account when the ESC considers variations.

Yours sincerely,



Tony Doyle  
Chief Executive Officer



Cr Ron Lowe  
Mayor