

14 May 2015

Dr Ron Ben-David, Chairperson
Essential Services Commission
Email: localgovernment@esc.vic.gov.au

Dear Dr Ron Ben-David

Essential Services Commission Submission from Gannawarra Shire Council

Thank you for the opportunity to comment on the Essential Services Commission Framework on Rate Capping.

Please see attached Gannawarra Shire Council's submission to the Essential Services Commission of Victoria's consultation paper on the development of state-wide rates capping and variation framework.

Like the Victorian Government, Gannawarra Shire Council is committed to ensuring future rates are 'efficient, stable, and reflective of community needs and demands'. Gannawarra Shire Council believes that at the same time, it is critical to maintain Councils' autonomy and financial sustainability.

Gannawarra Shire Council believes its rate rises are already compliant with the above terms, and to place a cap on future rate increases would threaten Council's financial sustainability and its ability to provide vital community services. This is because of the impact rate-capping would have on the operating budgets of small rural Councils and the lack of alternative service providers. A rate-capping framework would also threaten Council's viability because wage increases are currently greater than CPI and due to the potential for an asset renewal gap to develop.

Small rural Councils such as Gannawarra Shire provide vital services to small, relatively isolated and dispersed communities. These communities are entitled to have access to a base level of services, although providing that service may cost more than in a metropolitan centre. In this way, rate-capping could become a barrier to equality of access to services. Small Councils like Gannawarra Shire often take on the role of service provision due to the lack of alternative providers. There are significantly fewer commercial or not-for-profit providers, which in some cases means the most effective and efficient way to deliver a service is for Council to do so. Again, this becomes a way of ensuring equality of access for Gannawarra's communities.

Gannawarra Shire Council proposes the introduction of a tiered system which would allow smaller Councils to adopt rate rises to ensure key services and infrastructure can continue to be provided. This would allow rural communities to continue to receive the services and infrastructure they require, while ensuring that future rate rises are in line with community expectations.

I recommend the attached submission for your consideration

Yours sincerely



Geoff Rollinson
ACTING CHIEF EXECUTIVE OFFICER

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E-MAIL

Essential Services Commission Local Government Rates Capping and Variation Framework Consultation Paper

In response to the Essential Services Commission of Victoria's consultation paper on the development of state-wide rates capping and variation framework, Gannawarra Shire Council provides the following feedback:

The Victorian Government's stated rationale for the rates capping framework is to ensure that future rates are 'efficient, stable, and reflective of community needs and demands, without compromising councils' autonomy or financial sustainability'. Gannawarra Shire Council believes its rates are already compliant with these terms, and to place a cap on future rate increases would threaten Council's financial sustainability and its ability to provide vital community services, for the following reasons:

Impact on operating budgets of small councils

With a population of approximately 10,000 people, Gannawarra Shire has a very low rate base, although it still provides the same services as a larger Council. Gannawarra Council has a limited ability to collect revenue from other sources such as parking and facility hire, unlike larger metropolitan and regional Councils. Our population is relatively dispersed, increasing the costs of service delivery. Infrastructure, such as roads, bridges and buildings, as well as community services, must still be provided to small outlying communities.

Lack of alternative service providers

Gannawarra Shire Council currently manages kindergarten, childcare, family day care, community care services, libraries and swimming pools within the municipality. These services make up a significant percentage of Council's expenditure, if Council did not provide these services there would be little or no interest from commercial providers. This is due to the small size of the communities that make up the Gannawarra Shire and the lack of financial incentive for commercial operators to provide such services. There are a limited number of not-for-profit providers within the Shire; therefore Gannawarra Shire Council believes it would be unacceptable not to provide these services to its communities, and to bear the associated costs.

History of prudent rate rises which have community acceptance

Gannawarra Shire Council has consistently adopted prudent budgets with low and stable rate rises. The average rate rise for the past three years was 4.3 per cent. A low rate of 3.9 per cent is proposed for 2015/16. Gannawarra Shire Council has consistently adopted an approach to budgeting that is financially responsible and meets the needs of the community. Given the above, and mindful of the broad community acceptance of Council's established rating strategy, rates capping would be manifestly unreasonable and detrimental to the needs of our community. It would constrain Council's ability to set a Budget that is both financially and socially responsible.

Wage increases are greater than CPI

The average wage increase for the past three years has been 3.2 per cent. Overall wage growth is generally about 2 per cent higher than CPI. This means staffing costs are increasing at a higher rate than CPI.

Asset Renewal Gap

While Council strategically and efficiently manages its asset renewal program, if rate capping was introduced, the asset renewal gap could increase, resulting in Council's valuable assets depreciating and deteriorating rapidly.

Proposed alternatives or variations to the Framework

1. The introduction of a system which would allow smaller councils such as Gannawarra to adopt rates to ensure key services and infrastructure can continue to be provided.
2. Commitment from Victorian Government to increase funding for maternal and child health, community care services, childcare and kindergarten, in line with average wage increases, which reflect the real costs of providing these services to the required standards.