

To: localgovernment@esc.vic.gov.au
From: Graham Jolly
Date: 28/08/2015 05:25:05 PM
Subject: Rates capping Response Part 2. 28 August 2015. 5.20pm

Response to the part 2. Rates Capping Essential Services Commission

The Essential Services Commission - Rates Capping and Variation frame work July 2015.
Response to Draft Report. Volume 1.

Dear Sir,

It has pleased me to learn the Essential Services Commission (ESC) has been and still is digging deeply into Councils ongoing year by year excessive rate rises.

The Cardinia Shire Council in their 2015-16 approved Budget/Strategic Resource Plan have informed the ratepayers next year 2016-17 the rate rise will be 4.9%, 2017-18 4.7%, 2018-19 4.5%.

This is an early indication my council the Cardinia Shire Council will apply for a variation immediately Rate Capping is introduced.

This current year 2015-16 rate rise is 5.5%.

What am I looking for ?

1. What are the Causes and Effects to past ongoing Excessive Rate Rises.
2. For the ESC to use the principles of :
What, How, When, Where, Why and Who.
3. For the ESC to establish additional Key Performance Indicators (KPI's).
4. For the ESC to ensure not only the average rates paid in a Shire but to include the Median Rates Paid. Median property values are used by other organisations.

I would like to point out Councils will only do what a Statutory Legislation compells them to do or report on.

The Cardinia Shire Council collects rates and charges income of around \$62 Million and has a total income over \$100 Million.

(Source 2015-16 approved Budget page 57).

The Cardinia Shire Council has borrowings of around \$65 Million and pay out revenue around \$4 Million to service the borrowings. Carry-Forward details shown in this response further on.

I would like to think the ESC has not assumed all expenditure as outlined in a Budget is the right expenditure. It's not.

The Victoria Ratepayers Association along with a web of Ratepayers and Residents Associations all around Victoria have been voicing their concerns for a very long time. This Rates Capping investigation is long over due.

Has the ESC investigated the PROCESS that establishes a budget that outlines and determines the expenditures and in-turn a rate rise ?

I do not believe the ESC has investigated the PROCESS I might be wrong.

I request the ESC to define a number of points I have listed (using the What, How, When, Where, Why and Who principles :-

1. Transparency of Council. What will become more transparent at Council through this investigation ?

I would like the ESC to strengthen the Statutory requirements for Transparency between Council, Councillors and Ratepayers.

2. Rates and Charges. What is the base revenue starting value ?

Is it the Budget, the End of Year Financial Statement or is it the Cashflow Rates only revenue figure shown in the Cashflow Statement.

I would like to believe it's the Cashflow Rates only revenue figure.

3. Carry-Forward budget listed items. Has the ESC understood the effect the Carry-Forward revenue has on rate rises ? The rates payments are paid in a given year and expensed in the following year or years.

The Cardinia Shire Council.

History shows Carry-Over forward over past years are:-

2009/10 \$13,195,140

2010/11 \$11,162,114

2011/12 \$18,710,731

2012/13 as at 30 March 2013 \$20,295,830

2012/13 End of year financial figure \$23,727,781

2013/14 \$12,149,000

(Source private enquiries to the Cardinia Shire Council each year).

The Carry-Forward listing and their revenue values must be reported in the Annual Report and used as the starting details leading into the next draft budget. For that to happen Statutory Legislation must be established.

4. Confidential Council Meetings. Has the ESC determined and looked into the effects of Confidential incamera meetings when ratepayers have not been informed and then rates revenue is expensed.

The Cardinia Shire Council in recent times borrowed and expensed around \$20 to \$22 Million on a completely new fully modernised Council Office building located in the township of Officer near the rail station. This project was decided upon by declaring the project Confidential. The Council Administration presented the project and the previous Councillor group approved the project behind closed doors without full and open consultation with ratepayers. This one project has and will contributed to a rate rise for years to come.

5. The Councils Annual Report. Has the ESC looked into what additional financial details should be added into an Annual Report ?

6. Community Satisfaction Survey. Has the ESC looked into adding financial and transparency questions related to this Rates Capping and Wage Capping Investigation into the Victorian Statutory Community Satisfaction Survey conducted through out Victoria ?

7. Councillor Notice of Motion expenses. Has the ESC looked into revenue expenses allocated to each Councillor and what these expenses have towards rate rises. At each and every Cardinia Shire General Council meeting a listing is tabled showing each expense request put to the meeting by a Councillor. There is no Statutory requirements set down as to how these expenses are to be used.

8. Increasing the rates revenue stream. Has the ESC considered ways to increase councils revenue sources ?

Surely consideration must be to include Private Schools, Government buildings and Government vacant land other than parks and gardens etc.

9. Average Ratepayer. What is the definition of an Average Ratepayer. The Rates and Charges paid by the Average Ratepayer ?

10. Consecutive Property Revaluation years. Has the ESC considered the burden put upon ratepayers every two years when the Victorian Valuation General revalues all properties. A property revaluation year will be 1st January 2016.

11. Notifications to Ratepayers. I request the ESC suggest to the Minister to add to Section 129. Public Notice, of the Local Government Act 1989 to include notifications to all Section 86 Committees, Township Group Committees, Community Centre Committees and additional newspapers like the Herald Sun requesting a response to any draft document released to ratepayers.

Ratepayer response requests must be minuted into a General Council meeting.

From page 3 of the report.

Page 3 Box 1.1 Principles Guiding the Framework Design.

Principle 5 — Rate increases should be considered only after all other viable have been explored.

This single sentence (Principle 5) hits the nail right on the head. It's simple in its wording and must be above all used as the principle number one guiding factor.

Reading the documents I have formed an opinion the ESC has not fully, clearly understood the Statutory procedural requirements set down in the Local Government Act.

Section 125. The Council Plan and its Plan Actions for a four year period.

Section 126. The Strategic Resource Plan for a four year period.

Section 127. The Budget for a period of one year.

Section 129. Public Notice.

Section 223. Right to make a submission.

The Budget is the Expenditure and Income document as an estimate for one year.

The ESC does not understand the "Process" in the creation of a budget. The ESC must investigate the process path used by councils during the creation of a budget. The process excludes ratepayer until a draft budget is released requesting a response.

From page 7 of the report.

At the end of each financial year, a council will adjust its valuation base and the base for its general rate revenue to include the actual supplementary valuation and supplementary rate

revenue received. The adjusted amounts become the basis for determining the next year's rate base. That is, valuations are only treated as 'supplementary' in the year they occur. Thereafter, they are included in the valuation and rates of the properties in question. We are proposing that supplementary rates be excluded from the rate cap in the year they occur.

Please explain from page 7 of the report.

It is my understanding properties are revalued every two years.

A rate rise is determined by the revenue value amount needed to be raised by Council in a year to undertake what is listed in a budget. That figure is then used in a calculation to determine a rate base.

I request the ESC suggest to the Minister the Essential Services Commission be given additional Statutory powers along with the Victorian Auditor General to enquire and investigate any financial Income or Expenditure that is a probable concern.

Wage Capping as shown in the report gives me concern. The ESC is right to highlight councils wages expenses, a major expense. However I believe any wage increase to councils employees must be brought about through the Fair Work Commission who determines a wage increase to the minimum wage.

Councils are corporations and trade accordingly. The wages are paid by ratepayers not via the Victorian or Federal Government. Therefore councils must be added to the powers of the Fair Work Commissions ruling.

Page 1 and 2 of the report.

1.1 WHAT IS A RATES CAPPING AND VARIATION FRAMEWORK?

A rates capping and variation framework should promote a transparent and independently verifiable decision-making process with regards to the trade-offs involved in determining council rates. Independent verification requires that the framework is overseen by an independent authority for the benefit of the community and ratepayers who, individually, have limited capacity to engage with these decision-making processes.

In many ways, the rates capping and variation framework largely relies on the transparent, deliberative and consultative processes that councils advised us they already adopt when setting their budgets and their rates. In this sense, the framework can be viewed as simply seeking to give ratepayers and the broader community confidence that disciplined decision-making is being exercised by their individual councils, and by the sector as a whole.

The ESC sentence above (In many ways, the rates capping and variation framework largely relies on the transparent, deliberative and consultative processes the councils advised us they already adopt when setting their budgets and their rates.). This is totally wrong.

There is no statutory requirement compelling councils to involve ratepayers in the process of formulating a draft budget.

The Formulation of a budget is carried out by the Administration of council and presented to the councillor group for adjustments. The preparation process for a draft budget is carried out between January to March of a year.

It would be very advantages to ratepayers for the Minister to add to Section 127. The Budget for a period of one year, of the Local Government Act 1989 to indicate the Administration of council is not to produce a formal preparation budget above a zero rate rise to the councillor group. Any additions to the formulation pre draft budget is to be carried out by the councillor group and recorded in the Draft budget paper presented to the ratepayers. The Mayor to provide explanations as to why their were additions that determined the rate rise in minutes to a General Council meeting.

Ratepayers only learn of a draft budget many months after the formulation process is completed. April or May of a year is when ratepayers are given the right to respond to the draft budget, Section 223.

During the times I have attended General Council meetings a small number of budget responses are tabled at a Special Council meeting requesting or stating concerns about a point or points in a draft budget. I would have to think very hard to remember any changes to a draft budget. Ratepayers responses get rejected with no minuted meeting explanation given by the Mayor, the head of council.

That's why transparent, deliberate and consultative processes "do not happen".

I request the ESC to make a suggestion to the Minister to correct this non happening of transparency, deliberate and consultative process. A statutory addition is very much required and reported in the Annual Report.

I very much look forward to the Essential Services Commissions final paper to the Minister and what reporting over years the Essential Services Commission produces.

If any of the information in this response is incorrect then please advise.

Yours Faithfully
Graham Jolly
A ratepayer in the Cardinia Shire.