

Date: 14.5.2015

Andrew Chow  
Director Local Government  
Essential Services Commission

Via email: [localgovernment@esc.vic.gov.au](mailto:localgovernment@esc.vic.gov.au)

Dear Andrew,

**Re: Local Government Rates Capping and Variation Consultation Paper**

As discussed at our last meeting you suggested due to time frames for your review it would be useful for us to submit in dot point and summarise our comments.

We have done so and included a few attachments to support some of the dot points that form the basis of our submission. A number of examples of current council policy and behaviour are provided at the start of this submission.

We also mentioned that during this review the government should really consider if councils are operating efficiently and that it is time that the whole model is changed to have councils running as best practice rather than the same old inefficient way. Councils should actually be run as businesses, accountable both to their ratepayers and to the State Government. They are not accountable in any form with both the local government inspectorate and ombudsman having limited scope to investigate councils, compounded by the fact that these two organisations are unable to share evidence between these agencies. This clearly needs to change.

1. The attached Spread Sheet is for one resident's rate increases in "dollar terms" from the City of Hume and not the general rate (CIV) increases that councils use when making comparisons on rate increases or decreases.

With next year's property revaluation due we will see another enormously high increase in valuations based on current market prices. A windfall for all councils in that they will be able to come out and say they have reduced the CIV multiplication factor and hence will claim rates for most ratepayers will be reduced but the true figure and that is the "dollar" number will go through the roof (increase) affecting many residents in Victoria. This current "Local Government Rates Capping and Variation" review should be seriously looking at putting a cap on the true figure in dollar terms to all residents; otherwise this whole process will be a waste of time.

2. The Hume City Council this week announced a 5.3% rate increase (see attached report). Another quick grab for cash and shows no cost cutting at all. They state the average household rate will go up \$77 and commercial properties \$188. One

councillor stated, "It is not that much of an increase". He obviously has not read how many people cannot afford their current rate levels with many not paying. They also announced more borrowings to go to 19.3 million dollars, again with no cost cutting initiatives.

3. Service charges have been increased in this latest Hume Council budget between 3% and 5%. This is another area that the current review should look into seriously so that ratepayers are not further disadvantaged by these and other hidden charges increasing and spreading as a means to increase revenue.

We agree with the VAGO report 2012-13 on Local Government (LG) that states Councils need to: "*improve their rating strategies by incorporating elements ((better practice identified in this report—including links to council plans, the rationale for rate changes, rating options adopted, and the assumptions and factors considered in rate setting*"<sup>1</sup>.

4. When the councils discuss this review and/or their annual budget papers with you and they say they need rate increases, the question for you and the State Government is "Why do you need rate increases?" Then you should ask what the councils have done about unnecessary items they produce, they provide and the ridiculous overload of senior staff and many unwanted services.

What have councils done to reduce costs and make financial savings? Ratepayers only want the basics like footpaths, roads, drains, garbage collection and necessary community services. We do not want glossy self-promoting material, we do not want councillors travelling all over the country and overseas, and we do not want lavish lunches and dinners (Which again when council are asked for costs they cannot/will not provide these).

Councils are currently lacking in both quality and level of service. The Minister for LG, Hon Natalie Hutchins has stated Councils need to "*get back to basics*"<sup>2</sup>. It appears that many LG's and very specifically Hume City Council have lost sight of the primary functions required of a LG and instead pursue other functions, which includes "empire building".

5. When the Essential Services Commission and/or State Government ask councils for costs on dinners, functions, legal costs they will answer in either of two ways: Submit **an FOI request, or council cannot provide because they do not know.**
  - **I submitted an FOI to council on costs and other matters on the 22.12.2014** and today have just received some of the documents, in part. (See attached)

If you read through this attachment you will see how there is no transparency at all in council. This has now been sent to the FOI commission. Then if we cannot successfully argue for the additional documents we will need to go to VCAT.

---

<sup>1</sup> <http://www.audit.vic.gov.au/publications/20131211-Local-Government/20131211-Local-Government.pdf>

<sup>2</sup> [https://4a5b508b5f921\\_24e39ff-ccd8d0b92a93\\_a9clab1bc9lad6c9bfdb.ssl.cf4.rackcdn.com/2015/04/150412-Minister-Warns-Councils-To-Get-Back-To-Basics.pdf](https://4a5b508b5f921_24e39ff-ccd8d0b92a93_a9clab1bc9lad6c9bfdb.ssl.cf4.rackcdn.com/2015/04/150412-Minister-Warns-Councils-To-Get-Back-To-Basics.pdf)

In some documents (released in part under FOI) we refer you to documents headed:

- **FOI Safe people costs for councillor enquiry** this is in relation to councillor code of conduct.

These councillors had done nothing seriously wrong. But the council engaged an external contractor to investigate it at a cost of \$32849. A total waste as when this consultant was asked if he could legally conduct this investigation he asked for council advice on the matter. They stated he could. However it has since been revealed as part of an additional investigation carried out by the MAV that this first investigation was not legally able to occur.

The second enquiry on the same matter now needs to be the subject of a second FOI at great cost. However please note that council will not release any details (Item 3 in the FOI letter) of the first enquiry either under FOI or releasing it even when both councillors have requested it to be released publically for transparency purposes.

As you can see the CEO has ultimate power over the council and councillors, and is accountable to neither ratepayers nor any other authority.

- **FOI 12 Privacy Costs** We cannot go into details as a confidentiality agreement was signed with both parties. However as the cost has been released, this can be disclosed at \$10502. A matter that council staff could of dealt with but instead decided to waste more on legal costs and other associated costs. We note that all other documents have been denied access to. (Council pay a senior manager to look after these issues but then still need to engage lawyers)
- **FOI 13 Hume Council costs for meeting 29.9.2014** This is a great example of utter waste for a meeting being held that was not necessary. The total cost including overtime paid to Hume staff to act as a rent a crowd was around \$14000.

6. The 2010 VAGO Report notes of Local Government (LG) *"The councils examined are not effectively managing their costs of the services they provide " and, "they are not basing their fees and charges on any clear understanding of these costs"*<sup>3</sup>.

The MAV and LG's argue that CPI is not the appropriate measure for LG costs. They suggest the Local Government Cost Index (LGCI).

We note that: *"the index does not attempt to measure the actual movements in councils 'costs. It is however an analytic tool to better assess and understand the sector's expenditure patterns over time"*<sup>4</sup>

LG argues LGCI is a measure of actual costs, yet clearly (from the statement above) this is wrong.

The LGCI is based on false assumptions:-

---

<sup>3</sup> <http://www.audit.vic.gov.au/publicationsf2009-10ILG-Fees-and-Charges-full-report.pdf>

<sup>4</sup> Local Government Cost Index Report 2014

*“Several factors can influence a councils 'need to increase costs at a level greater than the LGCI:*

- *Service growth, typically through increasing population*
- *Increased scope of services, such as new services provided to the community*
- *Increased quality of services delivered to the community”*

These assumptions are clearly inaccurate. We believe that:

- Population growth in a LG area brings in extra rates in proportion to the costs of the population growth.
- Improved quality should actually mean reduced waste and lower cost.
- Increased scope of services should not be indexed as this is purely an option for LG, not a requirement.

7. Hume council have been asked to provide data that shows maintenance schedules, costs etc by regions of council and they say they cannot provide this. So here we have a “business” that has no way of identifying every cost within its business. This is simply unacceptable.

8. On the matter of transparency with councils. Hume council CEO sent an email to all staff on the 9.4.2015 (See attached). He stated:

- *“...We have stressed that the restructure of Hume Council City Council and the establishment of Sunbury City Council must be done in a transparent, open and honest manner...”*

My response and questions are on this same email (14.4.2015) where I then attached two questions (See Council questions 13.4.2015) from the public that the council would not answer - Hypocrisy once again, that demonstrates that Council is not in fact being transparent or accountable to their ratepayers.

9. See attached letters dated 25.1.2012 and the 28.4.2015 from Hume Council. Two statements from each letter:

- *“Council does not and will not break down costs into separate areas or suburbs. Council accounts on the whole of the municipality. Council is therefore not able to provide information to you broken down into 3429 postcode or similar parameters”*

The below answer was in response to an email stating we need the opportunity to have data in order to submit to this process and as we discussed this data was not provided by council (See email attached dated 24.4.2015).

- *“Council advises that with regard to your enquiry on the Local Government Rates Capping and Variation Framework Consultation Paper, there has been no changes and that council is unable to provide information based on post code/schedule of services.”*

10. Glossy publications are still being produced. A sample of costs for 2 of these magazines is attached. These are examples of financial waste by councils.
11. Senior offices remuneration: (See attached) there is nothing wrong with paying appropriate levels of remuneration but Hume Council with an estimated total staff of 1100 has 28 managers who are all earning \$133000 or more with the CEO on over \$350000. If this was a listed company there would be outrage. It is clear example of pyramid building and an insult to the community. You have to wonder what these people all do and remember they then have managers under them. I can say very confidently these are "junkets" and its time the governments of the day do something about this. Furthermore, these "managers and senior executives" all get paid overtime even though they are on salaries. The bonuses they also are paid are not based on true performance management measures.

Last year the CEO contract was renewed 6 months in advance for a 5 year contract because he wanted his salary locked in just in case the new Sunbury council split occurred. That is same wage covered in case they lost over 30000 residents. The local government act allows the CEO to pay whatever he wants to employees in senior management. This process should be regulated as it leaves open the opportunity for corruption as these managers are paid such excessive wages they will never speak out against a corrupt organisation.

Ratepayers Victoria Inc. state "that at present approximately 60% of council revenue is used for administration purposes".

This appears to be total out of proportion to either business of comparable size to to any other level of Government within Australia<sup>5</sup>.

12. Councils increased rates for carbon tax by 1.4% (See attached letter dated 12.9.2012) but unlike electricity companies ratepayers have never had this refunded. Why not?
13. We have attached a document showing membership fees of organisations councils belong to that serve no purpose and another obvious waste. A total of \$293344 for one year. The MAV get \$60886 and the VLGA get \$66800 whilst we pay for media monitors \$20632 and \$21450. These figures show that the councils are entering areas they should not be in. Councils were put in place for basic services. Parks, roads, drainage, garbage collection and essential community services.

Rate capping should force LG to focus on the return on investment aspect for services offered<sup>6</sup>.

## In Conclusion

---

<sup>5</sup> [http://www.ratepayersvictoria.com.au/?page\\_id=1461](http://www.ratepayersvictoria.com.au/?page_id=1461)

<sup>6</sup> <http://www.audit.vic.gov.au/publications/20120418-LG-Reporting/20120418-LG-Reporting.pdf>

1. Council focus needs to be on “Outcomes” with staff given set targets that they are expected to deliver to residents – genuine performance management!

The salaries of senior LG officers should NOT be tied to rates or income of the LG, as they appear to be currently, as least in some cases. State Government mandated KPI's should be used which include effective implementation of efficiencies in administration functions. Examples of these are media departments and issuing planning permits. We are sure there are many other areas for huge improvement in the overall administration of LG's.

2. Need to change the arrogance and non transparencies culture within councils.
3. Councils need to identify – from residents – the city's biggest issues and focus all work around providing the services to meet these identified needs/issues.
4. Rates need to be reduced across multiple councils, not just capped.

It is clear that the LGCI is not an appropriate index for the costs of LG and there is no valid argument made by either MAV or any LG to explain why CPI is not a valid index<sup>7</sup>.

The analysis and subsequent rate cap application should be across ALL areas of rates, such as service charges, municipal charges, etc. to avoid the possibility of relocation of additional costs which would still impact the ratepayer beyond the CPI level. This should also include re-valuation of property value.

5. Current rate prices are causing significant financial duress to significant numbers of families, particularly in Sunbury.
6. The total dollar rate percentage increases over the last 10 to 15 years are significant – cumulatively over 184% in the last 16 years in areas like Sunbury as per the spread sheet example.
7. Empire building – stacking increasing numbers of managers and directors and increasing council building space to accommodate them is the major cause of rising council costs. Salaries and middle and senior management numbers need to be cut dramatically.
8. Councils are not currently operating transparently or accountably. State Government needs to ensure that both the Local Government Commissioner and Ombudsman have sufficient powers and ability to impose consequences on councils to make councils accountable to residents.

Transparency of LG is a key component of a successful transition to rate capping. There will undoubtedly be circumstances where a LG needs to apply for an exemption to the rate cap and this **must be supported by the ratepayers**. Support will only come if ratepayers have a full and clear view of the LG circumstances. This DOES NOT occur now, at least in Hume City Council (HCC). Within HCC residents feel very much left in the dark, and when residents make requests for information about HCC operations it is often very difficult to obtain a satisfactory (or any) answer from HCC.

---

<sup>7</sup> <http://www.may.asn.au/about-local-government/local-government-finance/Pages/cost-index.aspx>

9. Councils need to survey a minimum, set percentage of residents annually to determine current issues and needs and to assess council performance. Surveys should be of a standard format across all councils (provided to councils by the State Government).

Results need to be published in an Annual Council Report to Residents that also includes a financial report on the previous 12 months and a detailed capital works budget for the next year and also for the next 4 years; Full disclosure of manager, director and CEO salaries and employment costs of other employees, leases, contractor costs, etc.; You could several years ago actually review who by name was paid which amount but now councils will not disclose this at all.

10. Council “costs” need to more directly reflect the services they provide to residents – not salary costs, memberships, award applications, branding, glossy self promoting magazines, etc. Councils are continuously over-spending on non-urgent (or not needed in the view of residents) capital works. This needs to stop.
11. Council staff employment packages need to be comparable to other councils as well as with other Government sectors in Victoria.
12. Salaried workers should not be paid overtime (as they are currently in Hume City Council). Nor should they receive bonuses if they haven’t met service provision standards as reviewed by ratepayers. This fact was revealed to us by a councillor a few weeks ago.
13. Councils always claim they do not have enough time or money to do things. In a business if timelines and budgets aren’t met staff are accountable – they lose their job/ are performance managed/ forgo annual bonuses/rewards. The same MUST apply to council staff.
14. We discussed in our meetings with the government that public consultation in Hume Council is the 2 minutes you can speak only and not ask questions in council meetings. You may have an a million dollar decision that is being made but the only input the community can have is this 2 minutes with Hume Council.

Finally this Paper/Review is more than about rate capping. It should be about capping and reducing rate costs as we have provided evidence that is just the tip of the iceberg on what waste currently occurs in local councils in Victoria. There are so many more documents we could share, ones that all councils should have to provide – a true and transparent break down of their costs. So do not believe the glossy advertisements by Hume on public consultation

Thank you for the opportunity to submit.

Yours faithfully

Trevor Dance and Arnie Azaris