



Business Centre:
111 Brown Street
Hamilton 3300
Telephone: (03) 5573 0444
Facsimile: (03) 5572 2910
TTY: (03) 5573 0458

Address all correspondence to:
Chief Executive Officer
Locked Bag 685
Hamilton 3300
council@sthgrampians.vic.gov.au
www.sthgrampians.vic.gov.au

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D/15/12579

14 May 2015

Dr Ron Ben-David
Local Government Rates Capping and Variation Framework Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Dear Sir

RE: Local Government — Rates Capping and Variation Framework Consultation Paper

Thankyou for the opportunity for Southern Grampians Shire Council to provide comments in regards to the Local Government Rates Capping and Variation Framework Review Consultation Paper.

Please do not hesitate to contact me should you have any queries in relation to Council's submission.

Yours faithfully

A handwritten signature in black ink, appearing to read "Bronwyn Herbert".

**BRONWYN HERBERT
ACTING CHIEF EXECUTIVE OFFICER / DIRECTOR SHIRE SERVICES**

Local Government Rates Capping and Variation Framework Consultation Paper

Submission

The Form of the Cap

- CPI is definitely not the appropriate index of Council costs as it is well below true costs. There needs to be an examination of other models which appreciate costs associated with rural councils
- The cap should take account of the RCV review of the Regional Policy & Service Delivery Model report particularly for rural councils
- All Councils are not the same
- Cap should reward those who have managed their finances responsibly and invested in future through planning
- It would be good to provide some governmental incentives to assist the sector to transition to a long term sustainable future with new ways of operating

The Base to Which the Cap Applies

- Should exclude service charges and special rates & charges as these are applied for very specific purposes
- Cap should apply only to general rates and not the average rate as it may not be fair as it depends upon where a property owner sits in the range. It can vary with movement in valuations
- It would be difficult to include supplementaries as they arise throughout the year. It could be a significant amount for larger councils and would favour existing ratepayers in high growth councils
- Maybe base year could comprise average of last 3 years as with R2R funding
- Urban Councils have a lot more opportunity to increase their income outside of rates

The Variation Process

- Process needs to be inexpensive but focus on justification and accountability
- Smaller rural councils do not have the funds or resources to develop lengthy submissions. It defeats the purpose as it takes away from service provision; however, evidence of good long term financial planning is essential and must be formalised with State Government
- Declining population growth or static rate base and profile of population (such as ageing) are reasons why smaller councils need to seek a variation.

Rural councils who are planning for growth and wanting to invest in growth but have little or low growth are not as likely to attract as much funding as required

Community Engagement

- There are examples of best practice such as IAP2 framework and ACELG Service Delivery Review June 2014
- The challenge is to seek a balanced range of views in the community not one session or viewpoint
- The community engagement should be aligned with the Council Plan (where community engagement has been effectively undertaken) and with Council's Service Delivery Framework and community plans
- Community engagement needs to be focused on assisting the community to understand the budget documents

Incentives

- The framework should definitely reward good effort while strongly encouraging those who wish to improve their services and achieve greater efficiencies
- Adoption of a service planning review process or business excellence framework are examples of effort
- State Government could invest some resources to assist councils to implement service reviews more effectively
- Council's effort in terms of NAMA performance and Long Term Financial Plan (with demonstrated detailed project plans) should be acknowledged

Timing and Process

- A capping process with request for variation should be incorporated into budget development process – so budget consultation is built upon this inclusion
- There is not enough time to add another step into the process. Budget development process takes a full 6 months
- If SRP and LTFP is in place, then appropriate rate increase has been identified. Suggest that SRP and Council Plan should be approved by the Minister and certified so that a clear plan for the future is laid out
- Government needs to provide much better framework for SRP which could be part of the variation submission process

Transitional Arrangements

- Certainly some advance notice is desirable to enable councils to adjust their budgets. In many cases, the application of the rate capping will mean cuts to services as the impact deepens depending upon the scale and depth of the capping exercise. The impact will increase exponentially
- A quick turnaround and decision making process avoids uncertainty
- Phasing in for rural councils if going to be CPI allows for detailed service review process with reductions to service levels identified before the next financial year's budget is finalised

Roles

- Roles need to be clearly defined
- Who will make the decision if the Commission doesn't? Suggest the Minister who administers a certification process
- The outcomes will be received in many different ways
- Media, publicity and public perception needs to be carefully managed
- Selective examples of inappropriate spending is very damaging and not fair to the whole sector
- Government needs to come to table to work with Local Government regarding funding of services and future as this rate capping policy is applied

Other Matters

- How long is the Government anticipating to operate a rate capping exercise? What does the government really want to achieve?
- Close interaction with the sector is essential to monitor the effects of rate capping and to work together regarding the future of Local Government

Other Matters Raised in Earlier Chapters

- This will result in a loss of autonomy – moves LGAs more towards being a creature of State Government
- It would be more constructive if State Government viewed the relationships with LGAs as a partnership and that there was greater awareness of the vision and direction articulated in council plans