

localgovernment@esc.vic.gov.au

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



Attention: Dr Ron Ben-David (Chairperson)

Dear Dr Ben-David,

Re: Local Government Rates Capping and Variation Framework Review

Firstly on behalf of Council we thank you for the opportunity to submit this Council's thoughts and feedback on the above review.

Strathbogie Shire Council Overview:

Strathbogie Shire Council covers approx. 3,300 sq.km. , has a population of 10,012 and is a vibrant and progressive rural municipality located about two hours North East of Melbourne CBD. The Shire has two major freeways running through it, those being Hume and Goulburn Valley Freeways, the main Melbourne to Sydney rail line and Mangalore Airport. The Shire is diverse and picturesque and is served by the townships of Euroa, Nagambie, Violet Town, Longwood, Ruffy and Strathbogie. The Shire is birthplace of Black Caviar (the monument at Nagambie), the only Commonwealth Town (Euroa) to have three Victoria Cross Winners and three major wineries such as Mitchelton, Tahbilk and Fowles. David Hayes and Adam Sangster have their Stud farms located in the Shire.

Response to Review:

Strathbogie Shire Council (Council) over the past 6 years made a concerted effort to ensure the burden on our ratepayers is reduced to a point where they have a capacity to pay. This is made extremely difficult through no fault of the Council but from the continued cost shifting / reduction in funding from both Federal and State Government/s. Examples of this is the freeze on CPI for the Federal Assistance Grants, costing this Council approx. \$933,000 over 3 years, the ceasing of the Country Roads and Bridges Funding by the State Government costing Council \$4m over 4 years. In total the reduction in funding from Federal and State Governments will cost this Council \$6.3m over 4 years.

The democratic process that allows a direct input to the setting of a Budget in Local Government is unique and something that cannot be overlooked in this process. For a Council to develop a draft budget / long term financial plan / council plan and a strategic resource plan yearly and then have it scrutinised by its community shows an open and transparent process. To suggest now that there will be another process where the Council must seek approval from the Essential Services Commission (ESC) diminishes the independent process where the "community" decides what it wants and doesn't want.

Whilst the Shire agree restraint should be taken rating its community to excessive levels the ESC and Government should realise that Draft Budgets are developed taking into account input from or communities, diminished and / or ceasing of both levels of government funding, infrastructure backlog to name a few. If rate capping is introduced it should be done on a fair and equitable basis and not CPI and this doesn't take into account the uniqueness of the Local Government Industry. In an effort to continually reduce costs the average Local Government EBA wage increases have dropped to below the 4% mark and in some cases down a low as 2.5%. In comparison we are hearing that the State Government will be offering some areas of the Public Service increases up to 7.2%?

There is continual talk about % and not \$, this is a bit misleading for example a 1% rate increase in this Shire raises approx. \$146,000 however a 1% rate increase in a neighbouring Shire raises approx. \$330,000 and better still a Metropolitan Council's 1% raises in excess of \$1m, so shouldn't we be talking \$ not %?

In rural and regional Victoria we are faced with many challenges, more so than the city Councils that have the ability to raise extra revenue through parking meters, larger populations with less area and the ability to have matching funding for grant applications.

In addition to this in rural and regional areas we are faced with higher energy costs, higher fuel costs, travel costs are greater to name a few. There are also fewer choices when it comes to tendering plus their overheads are higher thus the tenders are usually higher.

Our Council in particular is a Waterway Manager which costs us around the \$100,000 p.a. to ensure the waterways around Lake Nagambie and Goulburn River are patrolled, signed and managed as per the Marine Safety Act 2010 (Vic). Under the Act Waterway managers are declared by the Minister for Ports and are responsible for the safety of boating activity on waterways under their control. The waterway manager oversees some of the following:

- management of vessel activities on waters under their control
- provision and maintenance of navigation aids, appropriate signage of water levels, hazards, and rules applying to the waters
- altering or dredging of channels for navigation
- removal or marking of obstructions.

As part of good business Council is also reviewing every service it delivers with the first service, that of Home and Community Care (HACC) ceasing to be a Council function from the 1st July 2015. This service will be contracted by the State Government to a 3rd party to deliver it, not Council. This has involved approx. 33 redundancies at a direct cost of approx. \$90,000 and overheads estimated at \$408,000.

We are also conducting cost benefit analysis of every service we provide and will test them with the community in the future.

The Council has formed a formal Strategic Alliance / MoU with the City of Greater Shepparton and to date has savings of approx. \$2.2m across the 2 Councils, something we are happy to share with you. Programs such as shared HR / OD, Payroll Services, Training, Legal Services, Policies, Procurement and Grader without Borders to name a few.

If I may I would like to address the principles and objectives:

▪ **Principle 1**

Local communities differ in their needs, priorities and resources – I would comment that's exactly why rate capping should be set with flexible, non-restrictive financial barriers put in place as rural councils need to respond to large needs / areas with small populations. In most cases make their dollars go further through innovative work practices and shared solutions. We don't have the benefit of parking meters etc.

- **Principle 2**

Local communities and ratepayers are entitled to hold their councils to the highest standards of accountability and transparency when setting rates – we are closet to our communities and the Local Government Act 1989 (LGA 1989) clearly dictates how the budget process should be dealt with. Our communities have an opportunity unlike Federal and State Governments to object to the Draft Budgets and associated documents. They also have an opportunity to address Council with their concerns unlike other levels of government of private businesses.

- **Principle 3**

The framework should support the autonomy of councils to make decisions in the long term interests of their community and ratepayers – this is a bit contradictory as rate capping reduces this independence in some way. If a Council is to go above the “Cap” then it needs to spend unnecessary ratepayer’s money on providing some evidence as to why it requires a rate above the cap? The current process allows the ratepayer / community to object to any rate rise plus every 4 years vote “out” a non performing council.

- **Principle 4**

Councils will need to satisfy the burden of proof outlined in the framework when seeking a variation above the cap – again isn’t this something our ratepayers / community do through the Section 223 process of the LGA 1989? Councils all have adopted Long Term Financial Plans / Council Plans / Strategic Resources Plans and Rate Strategies and the list goes on, all governed by an Act. If we need to satisfy the burden of proof at what cost to our communities, which could be better spent on infrastructure needs etc.

- **Principle 5**

Rate increases should be considered only after all other viable options have been explored – correct but councils already do this. However it must be pointed out that with the recent Federal Government cuts to the Federal Assistance Grants Indexation, the current State Government ceasing of the Country Roads and Bridges Funding, ceasing of the Local Government Infrastructure Program and various other programs this council over the next 4 years finds itself with a reduction in funding of \$6.3m. We can only sell off and reduce staff by so much. It then leaves councils in a position of reducing / cutting services, redundancies, or reducing it’s spend on infrastructure and turning made roads back to dirt and closing bridges.

- **Principle 6**

The framework should support best practice planning, management systems and information sharing to uphold council decision making – best practice is not always about the dollar value. Rate capping principles need to ensure rural councils have the capacity to deliver best practice and maintain its infrastructure. This Council through restructuring and its Shared Alliance has saved a recurrent \$1.4m in salaries.

- **Principle 7**

The framework should be flexible and adaptable – fully agree and this should be the first principle.

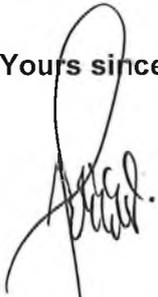
▪ **Principle 8**

There should be no surprises for ratepayers and councils in the implementation of the framework – this should be principle number 2. In addition to these there needs to be clarity about the rate capping, is it CPI or not? If it is CPI is this Local Government CPI or the “mum and dad” CPI. Local Government CPI is very different to the “normal” CPI due to fuel costs, utility costs (we pay for street lighting), making of roads, distances to travel, increase legislative requirements set by both levels of government and the continual cost shifting by both levels of government.

As a suggestion there should be a **Principle 9** that’s reads:

That the State Government acknowledges its role in properly funding Local Government to meet the needs and expectations of “all” its citizens, including taking into account the diverse nature, distance, land mass of rural and regional communities.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Crawcour', written over a large, loopy flourish that starts above the word 'Yours sincerely' and loops back down.

Steve Crawcour
Chief Executive Officer