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| V&AG.P.S.INC. Secretary P.O.Box 132 Inverleigh 3321 |
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Local Government Rates Capping and Variation Framework Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

15th May 2015

Dear Essential Services Commission,

Local Government Rates Capping Framework (Framework)

Voice & Action G.P.S.Inc. representing ratepayers and residents of the Golden Plains Shire (GPS), was formed in 2014 after holding two well attended public meetings. These meetings came about as a direct result of ratepayers becoming increasingly concerned with the ever escalating rates and charges being applied.

Voice & Action G.P.S.Inc. supports the proposal, for local government rates and charges to be capped to the rate of inflation. We are concerned that here in Golden Plain's the rise in rates over the last 14 years is excessive, having increased by 263% which is more than the increase in the cost of nearly all other costs or services incurred by Victorians. Ratepayers see this as being unsustainable.

This exorbitant increase is placing a severe financial burden on families, individuals and businesses. Excessive rate increases have continually occurred over the last 15 years since Council amalgamation and simply cannot be justified or sustained into the future. Rates in Victoria have reportedly increased more than other states and this makes business uncompetitive.

Over the last 14 years, the Golden Plains Shire Council have been steadily and incrementally increasing rates each year by an amount "which they can get way with" rather than minimising the increases, and focussing on cost control, and providing value-for-money. If ratepayers question the rate rise they are warned "well what services do you want cut". There is definitely a lack of accountability and transparency by the GPS Council, to ratepayers.

Since amalgamation Councils are run as a business. The GPS CEO has decision autonomy on employment and salary packages for some 204 staff. Some packages include staff motor vehicles. In addition our CEO received an 11% plus salary increase in 2014.

The question must be asked: is the culture of local government self indulgent? That is, are new or expanded services provided by a Council essential, have services expanded as a response to the community, or is it as a result of the organisations/staff self-serving their own aspirations? Ratepayers are also concerned with wasteful /unnecessary spending by GPS Council. It also appears again, with the proposed budget 2015-2016, that capital programs are not prioritised and in "a belt tightening budget " why are non-urgent capital works proceeding without question and for example - staff numbers are still increasing.

Annual rate-pegging has been in place in New South Wales for more than 35 years, is supported by both sides of politics and this provides a workable model on which a rates capping framework can be based. The rate peg is set by the government's Independent Pricing & Regulatory Tribunal which determines the maximum percentage amount by which a Council may increase its general income for the year.

The NSW rate peg is based on a Local Government Cost Index (LGCI) which measures price changes over the past year for goods, materials and labour used by an average Council. A productivity factor

A productivity factor is deducted from the LGCI to strike a balance between ensuring that councils can meet the increased costs of delivering services resulting from price changes and ensuring that Councils share productivity gains with ratepayers.

The Municipal Association of Victoria also prepares a Local Government Cost Index which used as a benchmark to measure rate increases. However in 2013 the Victorian Auditor-General (VAGO) indicated that Councils are generally dissatisfied with the existing Local Government Cost Index. The Golden Plains Shire exceeds the index by a very large amount. Councils have no market forces to temper spending.

The Essential Services Commission's Framework for capping of rates should be consistent with the VAGO report which stated: "A suitable and agreed sector cost index should be developed and used by all councils to promote greater transparency and comparability of increases in rates and charges". The Framework must include a productivity factor as is allowed in NSW.

Rates and charges are not the only means by which Councils receive an increase in annual revenue. For example, Councils also receive the benefit of supplementary income from rates and charges as new subdivisions and/or new houses and developments are completed. These additional sources of revenue should be considered in the development of the Framework. Golden Plains Shire is ranked as one of the fastest growing areas in Victoria with a current growth rate of 3.5%, compared to the state average of 1.6%. (Bannockburn at 7.2%, Smythesdale at 11.9%, Inverleigh at 4.9%, and Teesdale at 7.4 %.)

If Councils have special circumstances and wish to increase rates more than the cost of inflation then the Framework should ensure that Councils have to rigorously justify the increase. It should not be open slather like it is now. Any such increase should have a "sunset clause". That is, the increase should not continue ad-infinity but should be specific for the term of the special circumstance. Annual Rates Notices should itemise these special circumstances charges so that the cost is clearly indicated to ratepayers who would also be able to determine when a special charge should cease. Golden Plains Shire Council levied a "once off "Municipal Charge a number of years ago which was

'capped' at \$150.00, it's never been withdrawn and it's not transparent now what it is actually for. This charge is now \$225.00.

Additionally the Framework should ensure that Councils should not be able to subvert the rate cap using methods such as increasing or introducing new charges and/or increasing borrowings without rigorously justifying the increase. The fact that the Municipal Association can get better funding rates on loans does not mean a council should use the facility. Low lending rates historically have the side effect of greater debt in the future and our Council is projecting to raise our debt by an extra \$1.2 million per year.

All Councils are required to submit their budget to the Minister before 31 August each year and the *Local Government Act 1989* (Part 8A, clauses 185B and 185C pages 254-256) states that the Minister may limit income from rates and charges, and councils must comply with the Minister's direction. However, successive Ministers in the past have failed to limit rates and charges increases.

The *Local Government Act 1989* (Division 3, clause 208) also requires that a Council must comply with Best Value Principles which includes meeting with quality and cost standards, be responsive to the needs of the community, and achieve continuous improvement in the provision of services for its community, must take into account an assessment of value for money in service delivery.

The Essential Services Commission must ensure that Framework mandates clauses 185 and 208 of the *Act* and includes a provision which will ensure that Local Government Victoria will carry out its responsibility in relation to these clauses and the Framework.

Voice & Action G.P.S.Inc. would be available to participate in further discussions or answer queries relevant to the submission.

The email address for our Secretary is sec@vagps.org

Yours faithfully,

David Evans.
President – Voice & Action G.P.S.Inc.

Marlene Ryan.
Secretary - Voice & Action G.P.S.Inc.