



*Queenscliffe*  
Community Association Inc.

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

### **Local Government Rate Capping and Variation Framework Review**

On behalf of the Queenscliff Community Association executive we wish to make a submission to the Essential Services Commission re Local Government Rate Capping and Variation Framework Review

As ratepayers we strongly support the proposal of rate capping and using the CPI as the regulatory mechanism rather than an alternative and no doubt inflated Local Government compiled cost index. The latter suggested by our council and other councils would lead to rate increases above inflation and impact significantly on our predominantly ageing population. A specific council composed index is one that promotes local government self interest and we believe would foster unacceptable rate increases.

We believe it would not deal with the complimentary issue (or the related problem) of uncapped expenditures and annual budget expansions. From our observations there is wasteful and inefficient expenditures by local councils. These precise costs are often difficult to identify given the lack of financial detail in the budget papers.

For example we have little idea of the costings for cars and petrol now being provided for staff use to drive to and from home. Other benefits such as meals and travel or items put on credit cards do not appear in budget papers as specific items and therefore open to scrutiny. There are other examples.

Over a decade ago the MAV made a submission on the inquiry into local government and cost shifting. Potentially, this has led to far greater rate increases as councils blamed shortfalls in State and Federal government funding for its rate increases. What it has allowed is a system whereby ratepayers are gouged to make up perceived shortfalls.

Our local borough is a case in point where it has been a common experience of suffering significant real rate rises in the order of 4.5-8% and over. In the same period there has been an unchecked increase in operating expenses despite submissions from the community for Council to rationalise its operations. We have had unchecked rises in

employee and associated costs where the bulk of rate increases fund additional Employee costs.

The reason provided by Council is to deal with the extra demands from State Government in order to meet compliance and governance requirements and demands. We take exception to that reason and wish this to be investigated as part of the Commission's brief. In short we would wish the Commission to investigate the notion of cost shifting and compliance demands that are arguably imposed by State or Federal governments.

In the absence of what we would consider a justifiable cap that then gives licence for local government to continue to reap in rates without adequate pressures and restraints to control costs and thereby run leaner councils. We have the added issues of debt blowouts and the consequence of interest repayments eating into the rate base.

Specifically, we believe our local borough can operate much more efficiently given its small size and active volunteer base that was utilised heavily in the past via the committee systems. Under new regimes this vital community contribution has been diminished and in some cases eliminated. As a result, the flow on impacts of decreased engagement occur and add to cost pressures. Again costs are passed onto ratepayers or needed services are reduced.

Another potential concern for our Borough ratepayers is a newly implemented separate Green Garbage charge. The garbage charges that were once a separate imposition have been included in the standard municipal rates for a number of years. Council regularly argues ratepayers do not have a separate charge yet costs are borne in the standard rate.

In 2015 Queenscliffe Council introduced a separate green bin waste collection charge (\$36.50) for green waste and supplied all ratepayers and residents with large additional bin for this service (fortnightly).

With the proposed Government Rate Capping Queenscliffe Council now has the opportunity to look for other fee opportunities and charges to inflict on homeowners such as:

Re-introduce the first service Garbage Charge (for most Council<sup>1</sup>s this is around \$180 pa) as well as the Green Charge.

Or just introduce one much larger Garbage Charge (i.e. double dip) for all waste services to off set the Government rate capping proposal and/or re-introducing a Municipal Charge.

The separate fire levy charge now imposed by council and outside the rate collection cap is proposed to increase and we wish to know whether the total bundle of associated costs will be capped under this review. We would support all charges on the rate notice being capped to or preferably below CPI increases.

We can draw on some figures that highlight our concerns in the budgeting equation over the past decade for the Borough of Queenscliffe. They highlight the cost blowouts that have flourished under a non- capped regime.

Queenscliffe Borough Council's reported staff figure of 'around 62 people' (Full and part time staff) together with an unknown number of staff servicing Council on contract

e.g. auditors, garbage etc we believe represents an excessive number of staff for a small Borough. This appears an extraordinary bureaucratic imposition and high cost operation.

**Our concern is the sustainability of that expansion and the resultant increasing cost structure imposed on ratepayers**

**On a per capita basis we are perhaps most expensive council in operation re employee costs.**

It is difficult to accept the Council response that the comparative staffing levels and ratios in the Borough and Council costs are lower than the state average and small Council grouping especially when analysed on a per capita basis and given our small geographic size.

Employee costs since 2008 have more than doubled from \$1.9 million to \$3.9 million. This equates to a growth rate of near \$300,000 a year in this period. Council is now spending \$2 million more on staff/employee costs and associated costs.

Employee costs have gone from 3,312,000 in 13/14 to 3,656,000 in 15/16 and increase of \$344,000 in 2 years greater than 10% increase - at least 5% pa

The figure may be higher given the practice of grants funding capitalising employee costs.

This year alone Staff/employee costs are to increase by \$200,000 funded predominantly by all the rate increase. Higher staff levels together with an inbuilt Award higher than the CPI (plus add on costs) effectively limits our council to control this cycle unless it rationalises its staff.

\*As a result Queenscliff rates are amongst the top 10% of Victoria's 79 Councils. Its actual rise in dollar terms this year was amongst the top 10 municipalities in Victoria.

\*We have an EFT (Effective Full Time) staff of near 41 people. It has risen almost every year and rose close to 10% recently. Add on cars, extra super, leave costs, travel expenses etc - is an excessive and wasteful cost structure on our Borough, Council does not provide a staffing analysis inherent in its \$5.5 million Materials and Services budget (that has risen \$1.5 m in the period). This is in addition to its own staffing level of 62 people. We may well have 100 staff on the payroll in one form or another. Little efforts are made to arrest this blowout. It is our belief capping of rates may result in a more efficient operation.

\*to house the additional staff the Council spent nearly \$3 million upgrading the offices and town hall. Again, it was a cost burden that had to be funded by ratepayers.

In summary the QCA vigorously oppose any scheme (such as using a local government CPI or smaller rural Councils being able to opt out, or Councils being able to apply for special dispensation to avoid rate capping) that allows Queenscliffe Council to side step the Government proposal to reduce the burden of rates on residents, especially given we are also now paying the State Government Fire Levy and a new garbage charge with our rates.

Thank you for consideration.

Yours sincerely

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