



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

28 August 2015

Peri Urban Group of Rural Council's response to Draft Report - Local Government & Rates Capping Variation Framework

Thank you for the opportunity to provide comment on the Draft Report of the Local Government and Rates Capping Framework. We have reviewed Volumes 1 and 2 and have the following comments to make.

I urge the review Advisory Committee to consider the following significant limitations faced by the Peri Urban Councils and communities.

- Roads funding (maintenance and renewal) accounts for half of the Capital Works budgets of the Peri Urban Councils.
- Per square kilometre, the Interface Councils and Regional Cities can invest at least seven times the funds of the Peri Urban Councils.
- The Councils of our region are already under enormous pressure to deliver the more than 100 services the community expects.
- Rate capping will affect our ability to fund infrastructure and deliver services.

Comparison across Peri Urban Councils, Interface Councils and the Regional Cities

Council	Total Revenue 2013/14	Investment into Roads	Ave. population growth pa to 2031	2011 population	2031 Forecast population	Total population growth by 2031	Average Capital Works / km ²	Council size Km ²
Bass Coast	\$68,642,000	\$7,944,000	3.07%	30,232	48,831	61.50%		854km ²
Baw Baw	\$74,940,000	\$12,915,000	3.60%	43,387	74,676	72%		4,028km ²
Golden Plains	\$35,952,000	\$4,820,000	2.50%	18,958	28,610	50.90%		2,703km ²
Macedon Ranges	\$78,407,000	\$6,387,000	1.50%	42,860	55,908	30.44%		1,747km ²
Moorabool	\$36,034,000	\$3,945,000	2.80%	28,664	44,979	56.90%		2,110km ²
Murrindindi	\$31,104,000	\$4,195,875	1.38%	13,324	17,012	27.68%		3,889km ²
Surf Coast	\$66,027,000	\$5,524,000	2.60%	26,663	40,565	52.10%		1,553km ²
PUGRC Ave.	\$55,872,342	\$6,532,982 (1/2 of Cap Ex Budget)	2.5%	29,155	43,368	50.22%	\$5,579.00	2,413km²
Regional Cities* Ave.	\$218,183,000	\$15,540,333 (1/4 of Cap Ex Budget)	1.95%	141,270	192,333	39%	\$35,153 7 x PUGRC	1,662km²
Interface Councils Ave.	\$167,351,045	\$11,587,216 (1/3 of Cap Ex Budget)	4%	143,750	234,860	79.73%	\$42,178 8 x PUGRC	1,024km²

*Regional Cities of Ballarat, Bendigo and Geelong. Source: ID Forecast and Census 2011.



Comments on the Draft Report

1. **Grounds for Variation.** We note the ESC's intention to require Councils to demonstrate efficiencies in their organisation structure, services to prioritise the top community requirements, rates and charges and consideration and appropriate use of borrowings.

The requirement to show efficiencies in these key areas must be retrospective in nature to enable Council's to rely upon the efficiencies in structure and changes to services implemented over the years prior to the introduction of the rates cap. As stated in our earlier submission, the Peri Urban Councils have been streamlining services and their organisation structures over the last few years and will struggle to continue to new significant deliver changes without large cuts to services and staffing levels.

The Government's and ESC's preference for greater levels of borrowings by Councils prior to requesting a rate variation is noted. The option for State Government guidance on the appropriate use of debt, to be provided to Councils is a sensible approach.

However, the provision of this advice on debt will not, in our opinion, address the fundamental issue with using debt, which is community perception. Communities do not generally respond well to proposals requiring borrowing to fund Council projects. The increased use of debt will be seen by some communities as a burden to future generations.

PUGRC Recommendations:

- Ensure that the prior delivered efficiencies to structure and services by Councils can be considered by the ESC when considering an application for variation. It may be appropriate to limit this to within 6 years to cover a full Council term and some additional time.
 - We request, that if the State Government retains the requirement for greater use of debt by Councils that this is communicated clearly by the Government to the ratepayers of Victoria and that guidance is provided on the appropriate use of debt.
2. **Cost recovery by ESC.** As noted in the Report, the NSW Government funds the entirety of the rate capping program and compliance for that State. Councils across Victoria are already subject to ever increasing contributions to projects delivered on behalf of the Victorian Government or in partnership. A contribution to the costs of the rate capping program will be yet more funds that need to be raised through efficiencies and terminated services. It is yet more funds that are not being directed into the community.

PUGRC recommendation:

- The rate capping program should be wholly funded by the State Government.

The Peri Urban Group of Rural Councils is committed to working in partnership with government and we would be pleased to provide any additional input into the review. If you require any further detail or clarification, please contact our Executive Officer, Paula Lawrence on 0412 370 651 or via plawrence@moorabool.voc.gov.au

Yours sincerely

Cr Neil Rankine, (Bass Coast Shire Council)

Co-Deputy Chair, Peri Urban Group of Rural Councils