

Submission to the Essential Services Commission on Setting a Local Government Efficiency Factor

Moyne Shire Council **does not support** the Essential Services Commission's (ESC) proposal of an efficiency factor within the context of setting the annual rate cap for Victorian Local Government.

The ESC has consistently suggested that the Rate Cap formula should be a combination of 60% CPI and 40% WPI less an efficiency factor.

The use of a combined CPI and WPI outcome is supported as it better reflects the true costs of running local government operations rather than a straight CPI calculation. Employee costs are a major component of local government expenditure.

The Minister for Local Government has consistently ignored this ESC recommendation when setting the annual rate cap, which is disappointing.

Until such time as the combined CPI and WPI is used in setting the annual rate cap, the concept of an efficiency factor is not supported as it is inconsistent with the whole formula recommended by the ESC.

Moyne Shire also contends that councils have achieved considerable efficiencies in moving to the rate cap regime. For our council this has resulted in rate revenues being reduced from 4.5% growth per annum to the rate cap of 2.0% to 2.5% per annum. This has resulted in reduced average rate bills.

A range of initiatives have driven cost savings and efficiencies to accommodate the rate cap and these innovations are ongoing.

Moyne Shire also supports the view that "one size does not fit all" regarding the rate cap and therefore any efficiency factor.

Many rural councils have far less scope to make savings and efficiencies or opportunities to increase revenue streams when compared to their metropolitan and regional counterparts. At the same time rural shires are often faced with greater challenges in funding their infrastructure renewal needs. These variations support the application of an alternate rate cap and formula for rural councils.

For the reasons outlined above Moyne Shire does not support the introduction of an efficiency factor in the rate cap formula at the present time.