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14 February 2018

Local Government Division
Essential Services Commission
Level 37
2 Lonsdale Street
Melbourne VIC 3000

Email: localgovernment@esc.vic.gov.au

Dear Madam, Sir,

Re: Submission to setting a Local Government Efficiency Factor - Draft Proposal

We write with regard to the abovenamed document about which you are seeking feedback.

We are of the view that the document does not address the current issues being faced by many councils who are driving changes and efficiencies consistently as part of their commitment to continuous improvement as a separate process, but including as a result of rate capping.

The assessment of the need for an efficiency factor is overlooked and rather a focus on a neat and highly technical solution is outlined. The material appears to have not considered the current Local Government Act review that is underway. In the exposure draft full power to the Minister to set the rate cap annually and review it every four years remains, albeit with advice from the ESC.

Given the extensive focus in the exposure draft to the long term financial and service planning required of councils, the role of the ESC to explore technical mathematical formulae for efficiency appears redundant. In addition, the Local Government Performance Reporting Framework provides a comparative data base, by local government type of the performance of councils on an annual basis and offers a trend in performance and cost of a wide range of services. Enhancements to the LGPRF are already proposed as an appropriate comparative tool for Council's service and financial performance.

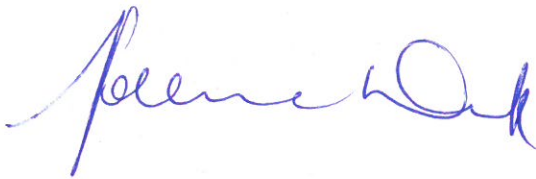
We also support the LGPro and MAV submission to the ESC which challenges the basis of the necessity for this work to now occur.

We note the MAV submitted a detailed response in October last year to the Productivity Study work undertaken by your organisation. In that material the MAV argued the case that the rate cap itself has an inherent efficiency factor. The issues around funding variables from grants and other sources that can influence council costs, as well as increased costs arising from construction costs, regulatory or other service cost increases outside councils control, are not accounted for in any of the models explored in that material. In summary, the MAV argued that the existing rate cap arrangement which will continue to prevail with the legislative passage of the new Local Government ACT, supports a rates cap process continuing. Financial modelling undertaken by the MAV of the sectors capacity to continue to provide services will be significantly impacted by the imposition of a rates cap in future years and this is a well-documented impact in other Australian states where rate capping has been a long standing policy.

The imposition of a prescribed efficiency factor needs to account for all of the above elements which the current paper fails to do.

Thank you for the opportunity to comment.

Yours sincerely,



Noelene Duff
CHIEF EXECUTIVE OFFICER
WHITEHORSE CITY COUNCIL