Mr Keir Delaney  
Secretary  
Legislative Council Environment and Planning Committee  
epc@parliament.vic.gov.au  

Dear Mr Delaney  

SUBMISSION TO INQUIRY INTO STATE GOVERNMENT POLICY TO CAP LOCAL GOVERNMENT RATES  

Thank you for the opportunity to respond to the inquiry into the State Government Policy to cap local government rates. I have detailed below a range of impacts so far experienced by Moreland City Council.

Impact on Long Term Planning and Budgeting  

Local Government in Victoria is responsible for $73 billion\(^1\) in community infrastructure including roads, drains, parks and gardens, sports, fields, kindergartens, swimming pools and cultural centres. This means that a large proportion of Council’s income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.

It is important for the management of these assets that Councils can have reasonable certainty over the income available over future years to maintain them.

The decision in December to set the rate cap at 2.5% for the 16/17 financial year and effectively abandon the methodology proposed by the Essential Services Commission (ESC), stifles our capacity to undertake long term planning and orderly business transformation as we don’t know what the future rate income will look like. Rate income makes up close to 74% of Moreland Council’s total revenue so any uncertainty over rates income has significant negative long term impacts.

In addition, in 2015 Council negotiated a 3 year Enterprise Bargaining Agreement (EBA) that was based on setting employee costs to fit within the rate cap based on the 3.05% rate rise methodology prepared by the ESC. The later selection of 2.5% by the Minister for Local Government has significantly impacted our 2016/17 budget, reducing planned income by $640,000 and potentially more over the full 3 years of the EBA. However, we don’t know the full 3 year impact because we have no methodology to guide our forward rate cap planning.

\(^1\) http://www.mav.asn.au/about-local-government/Pages/default.aspx
It is vital that the State Government provides a reasonable methodology which takes into account Council’s real costs, so Councils can undertake long term planning, for both assets and services. If the rate cap is to drive business transformation rather than knee jerk cost cutting, Local Governments need some certainty to enable good planning. Moreland has only in recent years come close to closing the Asset Renewal funding gap which grew after the last rate capping program in the 1990s. Setting a cap on a year-by-year basis without any regard to Council’s actual costs will more likely start to widen the gap again.

We would like to reiterate that, at a minimum, a four-year cap methodology would make sense, allowing for adjustment to accommodate any unforeseen circumstance. This would allow the commitments for any given Council term to align with the funding available and provide a basis for better long term planning.

**Cost of Living Pressures**

Council recognizes that cost of living pressures are an issue for our community and the wider Victorian community, and have notionally underpinned the introduction of the rate cap. We have negotiated an EBA that is significantly lower than in previous years so that we can fall within the rate cap (as it was proposed at the time of negotiating the agreement), and we are working as much as possible to deliver services within our means.

In effect, we are doing our bit to keep downward pressure on rates. Local Government receives 3.4% of taxation revenue in comparison with the 96.6% received by the State and Federal Governments. It will be important to understand what is also being done to keep cost of living pressures down in the areas regulated by the State and Federal Governments. Our concern arises from examples such as the significant increases in the Fire Services levy in 2015/16 (32.3% increase in the residential variable charge) and the increase in the Metro Landfill levy of 10% each year for the 3 years to 2014/15.

The capacity to affect cost of living pressures is significantly greater at State and Federal Government levels than at the Local Government level.

**Cost Shifting**

Cost shifting by the State Government continues to impact Council’s financial sustainability, particularly under the rate capped environment.

In particular, planning fees set by the State have been frozen for over 14 years. We estimate that the revenue foregone by Council for the past 4 years is over $9.25 million. The review of planning fees announced in October 2015 is welcomed as an opportunity to demonstrate the extent to which Council subsidises the private development market in this area. However, we question why it has taken so long for a review to happen when the rate cap will come into effect in 16/17.

Further, we note that the State Government introduced a planning application levy in July 2015 for development projects valued at more than $1.0 million. The levy is payable to the State Government whether they have a planning role or not. Council is preparing to redevelop a Leisure Centre complex and was required to pay over $30,000 to the State prior to being able to issue the planning permit, yet the State has no planning jurisdiction over the project – this is provided by Council. At the same time planning fees paid to Councils have been frozen for more than 14 years – a period which has seen significant development in Moreland and resulted in Council subsidising the development industry.

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Some other examples of the impact on Council of State Government cost shifting and additional levies include:

- Home and Community Care (HACC) - $1.42 million from 2011/12 to 2014/15
- Library Services - $367,000 from 2011/12 to 2014/15
- Maternal and Child Health - $193,000 from 2011/12 to 2014/15
- School Crossing Supervision - $100,000 from 2011/12 to 2014/15
- Administration of the state wide temporary Food registration system ‘Streatrader’ - additional annual cost of $85,000 since 2013/14 due to the responsibility having been shifted from the State Government to Council
- State Government landfill levy. The levy has increased from $9 per tonne in 2008/09 to $58.50 per tonne in 2014/15. The total landfill levy for Moreland City Council is $1.87 million for the 7 years from 2008/09 to 2014/15.
- Animal registration levy - $190,000 from 2011/12 to 2014/15
- Congestion levy (applied to off street car parks in Brunswick) - $146,000 per annum from 2015/16

Further, new statutory requirements have led to increased costs in the following areas:

- Line clearance (cutting back tree branches around power lines) – approximately $1 million from 11/12 to 14/15
- New national policy of 15 hours kinder for four-year olds - $ 5.635 million of capital works over the past 4 years.

You will note that these are all relatively recent. They are not as a result of agreements struck many years ago.

**Reporting to State Government**

The introduction of the rates cap now requires an extensive level of performance and reporting measures, increasing the time spent on reporting to the State Government, rather than responding to our community. Our view is unchanged that these administrative costs should be covered by the State Government. The increased scrutiny and reporting levels have also created the perception that our accountability for service provision is being moved away from our Councillors as elected representatives to an unelected body – the Essential Services Commission (ESC).

Thank you again for the opportunity to provide this information to you. I would be pleased to discuss any aspect of this submission in more detail with you or your team.

Yours sincerely

Nerina Di Lorenzo

**CHIEF EXECUTIVE OFFICER**

1 / 4 / 2016

c.c. Mayor and Councillors, Moreland City Council