Dear Mr Delaney,

Re: Environment and Planning Committee – Inquiry Regarding Rate Capping

Further to your letter of 29 February 2016 please find attached Council’s submission to the Environment and Planning Committee.

Council would be very keen to discuss this submission with the Committee.

Yours faithfully,

Margaret Abbey
Chief Executive Officer
Submission to the Environment and Planning Committee

Murrindindi Shire Council, in response to correspondence of 29 February 2016 from the Secretary of the Legislative Council Committees, is pleased to make this submission to the Environment and Planning Committee’s inquiry into the State Government policy to cap local government rates.

It is noted that the Committee is particularly interested in hearing from local governments who have applied for an exemption from the fixed rates cap, or from their residents. Murrindindi Shire Council has made an application to the Essential Services Commission (ESC) for a variation to the rate cap. The Council’s submission to the ESC is for a variation to enable a rate increase of 5.4% to be levied in the 2016-2017 budget.

1. Background

Murrindindi Shire Council believes that it has a clear, demonstrable and ongoing requirement for a variation to the State Government’s rate cap currently set at 2.5% for 2016-2017. Council has resolved to seek this variation due to both the challenges which it faces as a small rural municipality but also as a result of the decisions made by the State Government through the Victorian Bushfire Reconstruction and Recovery Authority to gift $33 million worth of assets following rebuilding activity after the 2009 bushfires. Council has also experienced a loss of rate income as a result of the State Government’s decision to implement the Buy Back Scheme which has removed 85 properties from the Murrindindi rate base as well as the slow rebuilding rate to replace the 1,397 homes destroyed in Australia’s greatest natural disaster. Since the cessation of the Murrindindi Assistance Package on 30 June 2013, Council has not received any assistance from the State Government to support it in addressing the unintended consequences of decisions made by the State Government during the bushfire reconstruction period. In fact, in June 2014, the then Minister for Local Government advised Council that there would be no further assistance and that Council would need to pursue grant applications for any financial assistance that it required in relation to the new and gifted assets.

Council was particularly enthused by the acknowledgement in the Victorian Regional Statement by the statement within Victoria’s Regional Statement, launched by the Premier in late 2015, that to support the Goulburn region in achieving its growth objectives, the Government will work with the region to address a number of challenges including:

“Continuing to support the region (particularly the Murrindindi Shire) to recover from the significant economic, social and environmental damage from the 2009 Back Saturday bushfires.” (p.60)

The Mayor wrote to the Premier on 26 November 2015 enquiring as to what particular support the State Government was contemplating for Murrindindi Shire. The response, on the behalf of the Premier by Minister Pulford (dated 8 March 2016), provides no specific indication as to what support will be provided to Murrindindi Shire but rather indicates that the Regional Partnerships have been established and the new Regional Director of RDV is...
to ‘play an important role, along with other senior government officials, in progressing local priorities through the Regional Partnerships and the Victorian Government.’

Whilst being a peri-urban municipality, Murrindindi Shire has experienced limited growth opportunities, a matter which it is actively seeking to address. These growth opportunities are constrained by its lack of major transport routes, its lack of designated growth area and the Hume Regional Growth Plan only identifying opportunities for residential growth around the towns of Yea and Alexandra.

Notwithstanding these challenges, Murrindindi Shire and its community recognises that it needs to take charge of its destiny and in the absence of tangible support from the State and Federal governments needs to look to its own resources and capability to address the unintended consequences of decisions made following the February 2009 bushfires. These resources include the collection of rates.

2. The Variation Process

Given that 2016-2017 is the first year of the introduction of a rate capping environment it is acknowledged there will be procedural processes, expectations regarding application content and levels of community consultation that will need to be further refined. In discussions with officers of the ESC, which sought greater clarity in relation to their expectations regarding an application for a variation, it was acknowledged that experiences of this first year will guide the work of the ESC and Councils in future years.

It was acknowledged by officers of Local Government Victoria (LGV) to this Committee on 9 March 2016 (p.20) that the rate capping system is ‘an immature system that we are looking to mature’ and that has certainly been Council’s experience.

Unfortunately it has meant that Councils that are seeking a variation to the rate cap are operating within an uncertain environment, other than what can be gained from discussions with ESC officers and the experience of Councils interstate.

Lack of Guidelines

This lack of ‘maturity’ has been exacerbated by the lack of clear guidelines for the lodging of an application for a variation. Whilst there has been an excel spreadsheet to be completed of budget information, and defined criteria, there has not been any further written guidance as to the preparation of an application. It was only through discussions with ESC officers that Council was able to receive meaningful guidance as to the content and emphasis which should be included in its application. Further, ESC officers acknowledged in this discussion that because of 2016-2017 being the first year of rate capping that there was a degree of uncertainty.
It is noted that representatives of LGV indicated to this Committee (9 March 2016 p. 21) that in relation to the five criteria which Councils need to satisfy and respond to ‘they are pretty simple criteria, and the guidance and clarity that is sought is some elaboration on what are pretty basic concepts and criteria. However, as this committee also heard on 30 October 2015 (p. 13) from representatives of Wyndham City Council ‘if councils are to seek a variation, the level of detail around what process you are going to have to go through is pretty unclear. It is a bit like how long is a piece of string ....’

As has been indicated in the submission by the Horsham City Council:

‘5. The variation process should provide for a simple application by Council outlining the reasons for the proposed rate increase and demonstrating the purpose to which it will be put in the long term. This should be supported by the four year strategic resource plan which outlines the future year rate increases proposed. A template submission document should be developed for us by the sector in order to reduce duplication of effort and bureaucracy.’

Council’s view is that the development of clearer guidelines and the preparation of a template submission document would greatly assist in the development of an application for a rate cap variation.

Assistance in preparing an application

During the discussions in 2015 in relation to the imposts of preparing an application for a variation, questions was raised with the Chair of the ESC as to whether there would be assistance to those Councils that have limited resources to make such an application. In public forums the Chair was very specific that this would be a decision for the Minister for Local Government. As the Committee would be aware, the Minister has not made any resources available for Councils to prepare a submission, and anecdotally Council has heard from other small rural Councils that initially indicated that they may seek a variation, that the lack of resources was the reason that they did not ultimately lodge an application.

Murrindindi Shire Council was not able to devote any resources, other than officer time, to the preparation of its application. Whilst we are aware that some Councils have engaged communications consultants to carry out communications and engagement projects, or write a submission to the ESC on their behalf, we believe that the Murrindindi community would not enjoy the irony of council spending tens of thousands of dollars on a communications cap about a rate cap variation which seeks to increase their rates above the cap.

As a result of needing to prepare an application and the lack of resources or support to do so, officers have needed to prioritise the preparation of the application above their day to day designated roles. Council has a small Senior Management Team comprising the Chief Executive Officer, two General Managers, six Managers and one Co-ordinator. The Chief
Executive Officer, two General Managers and four Managers have needed to devote a considerable amount of their time in the three weeks prior to the lodging of the application to the preparation of an application.

Need to Demonstrate Efficiencies

Criterion Four of the six criteria which must be addressed requires Councils to demonstrate how efficiencies have been, and will be achieved, as well as representing value for money for ratepayers.

The Peri Urban Group of Rural Councils, of which Murrindindi Shire Council is a member, in this submission of 28 September 2015 noted:

“The ESC has flagged their intention to require Councils to demonstrate efficiencies in their organisation structure, delivery of services to prioritise the top community requirements, rates and charges and consideration and appropriate use of borrowings. This requirement to show efficiencies assumes that councils have not already pursued efficiencies and lean operating models where possible. Many councils are already operating in a manner which make the ongoing delivery and demonstration of additional efficiencies extremely difficult.

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 delivery changes without large cuts to services and staffing levels. For this reason, the demonstration of efficiencies must be retrospective in nature to enable councils to rely upon the efficiencies in structure and changes to services implemented over the years immediately prior to the introduction of the rates cap.”

In response to the need to ensure its long term financial sustainability Council initiated a comprehensive Services Review in 2011 and has continued its approach of continually looking for opportunities for service level review and the implementation of organisational efficiencies. Council strongly supports this submission from the Peri Urban Group as it clearly articulates the challenges in preparing an application for a rate cap variation when Council has undertaken a number of service reviews and so the demonstration of efficiencies ‘must be retrospective in nature’.

Advice from the Commission on their determination

The Victorian Auditor-General’s Office has an established process (under section 16(3) of the Audit Act 1994) whereby a copy of their proposed reports, or part of their proposed reports, are provided to relevant organisations to which the report relates and they are provided with the opportunity to make submissions and comments to be included in the final report. Council believes that this is an appropriate practice which also should be followed by the ESC. In questioning the process by which Council will be made aware of the
determination by the ESC, Council has been advised by ESC officers that there is insufficient time for this approach to be followed by the ESC.

Logistics of lodging an application

Given the size of lodging the application Council staff confirmed with officers of the ESC that if we should email it to them, both theirs and our computer systems would probably fall over. We enquired as to whether there would be a Dropbox or similar solution where we could download our application and its supporting information. Council was advised two days prior to the lodging of the submission that the ESC did not have a Dropbox account. It was however suggested that a folder be set up that could be shared with the ESC so that the ESC could download the documents Council placed into it.

Fortunately this was successful as the only alternative would have been for a staff member to make the 5 hour return journey to Melbourne to physically lodge our application with the ESC. Whilst such a journey was achievable from our office location in Alexandra, for municipalities which are a greater distance from Melbourne this is another impediment to making an application for a variation to the rate cap. (Recent changes to Australia Post now render certainty of delivery using ‘traditional’ means of lodging documents to be almost impossible within constrained timelines.) Council believes that the ESC should be better prepared to electronically accept large documents such as these applications. It should also provide organisations much earlier advice on how to do so than two days before the application is due to be lodged.

3. Assistance to local government

Council noted with interest the presentation to this Committee on 9 March 2016 from LGV representatives especially in relation to the ‘clear recognition’ that small rural Councils have a range of particular challenges presented to them such as large road networks. Council was very disappointed that despite strong representations to the Minister for Local Government, a rate cap which reflected this ‘clear recognition’ was not introduced.

Council also noted with interest the range of supports provided to small rural councils as outlined by LGV, and in particular, the allocation of general assistance grants, collaborative procurement programs and support of regional procurement excellence networks, policy advice, asset management better practice guidance and LGV staff being placed in small rural Councils.

In relation to this range of support, Council acknowledges the allocation of general assistance grants, but its experience in relation to the broader grant program on offer from the State and Federal Governments is that these programs are often competitive (and Murrindindi has limited resources to either make the application or provide matching funding) and directed to areas where Council does not need grants (ie capital and not operating or maintenance). In relation to collaborative procurement programs, Council has a robust
Procurement Roadmap and is currently participating in a number of shared services and procurement arrangements. Council also has a very detailed and robust asset management system – which is recognised as leading edge in Victoria; a necessity because of our funding situation.

LGV staff have not been placed in Murrindindi Shire and when a review was undertaken to assess the validity of its claim to the State Government for financial support to address the impact of the new and gifted assets, that report was ‘noted’ by LGV and did not progress to either a Ministerial briefing or advice / support to Council in other forms.

4. Conclusion

The experience of Murrindindi Shire Council is that those Councils that are in greatest need of seeking a variation to the rate cap are the least resourced and capable of making such an application. This Council has ensured that it has utilised its best endeavours to ensure that a robust and comprehensive application for a rate cap variation has been made.

The primary issues identified in the Chair’s Foreword in the first report of this committee (Dec 2015) are very real and have to some extent been exacerbated by the recommendations of the ESC not having been adopted in full by the Minister, eg utilisation of the Wage Price Index as a component of the calculation, lack of recognition of costs as experienced by Local Government as not aligned with CPI, long term negative impacts on services and infrastructure, etc.

It is pleasing, therefore, to see that these matters will be monitored closely by this committee going forward.