30 March, 2016

Environment and Planning Committee
Parliament of Victoria

epc@parliament.vic.gov.au

Dear Committee Secretary,

RE: INQUIRY INTO LOCAL GOVERNMENT RATE CAPPING

Council welcomes the opportunity to submit to the Committee’s second report, due in June 2016, and provides the following:

- there has been much material previously submitted contending that basing the cap on CPI is not appropriate as the CPI is a measure of a basket of household goods while Council costs are different and often higher costs. Central Goldfields continues to support this contention.

As an example the State Government has legislated that the Victorian Electoral Commission (VEC) will run Council elections. The VEC cost to run the 2012 Central Goldfields Shire council election was $85,200. The VEC price for the upcoming 2016 elections is $112,300 – an increase to Council of 31.8% over 4 years.

- Council has resolved to work within the rate cap set by the State Government and not to apply to the ESC seeking a variation to such cap.

The forward Council budget (next 4 years) was predicated on an annual rate increases of 4.8%.

The application of a 2.5% increase means an adjustment of $2.3 million over the next 4 years.

- With the property revaluation of 1 January, 2016 only (in the very rare instance) where a property value moves by the same amount as the total valuation movement, will the property receive a 2.5% rate increase.

- There was a time when local government was only about Roads, Rates and Rubbish. Like our society, local government has evolved over time.

Council is still focussed on the three R’s as well as on issues that are also important to our community. Council is working on social issues, Government is helping, and Council is tackling work readiness; keeping women and children safer in their homes; and improving the prospects for families. Council will continue to bring new businesses
to the Shire. Core business in 2016 is what the community has determined it to be.

- The 2016/17 budget as drafted by Council limits its capacity for future community infrastructure projects. There is no capacity/provision for any local contributions to potential projects.

- The Committees ‘First Report’ December, 2015 recommended “That the Victorian Government re-establish the country roads and bridges program which provided $1 million per year to each of the 40 rural councils that qualified”. Council most strongly supports this recommendation.

- The ‘Whelan Report’ into Councils Financial Sustainability provides an evidence-based analysis of why some municipalities will be inherently financially challenged. It does this by taking relevant environmental factors that significantly influence Council performance; quantifies the degree to which each factor impacts on operating costs and revenue; and applies the results to assess the relative sustainable capacity of each council.

The reality is – all Councils are not created equally!

The varying impact of rate capping for councils is evidenced in the Whelan ‘Financial Sustainability Overview May 2015’ Report (para. 52-55). Whelan concludes:

“It is clear that smaller rural councils are most vulnerable because they:

- have the highest net costs
- have the highest rating levels in respect to capacity to pay
- incur the highest recurrent operating deficits
- are most likely to have curtailed provision of required services e.g. infrastructure

If a rate cap is imposed that is less than the actual cost increases applicable to local government, these councils will be forced to further cut their services and/or increase their deficits, unless compensated by corresponding increases in recurrent government grants”.

- Council remains optimistic that an outcome of this rate capping policy will be a greater understanding of local government financial sustainability, and, a systematic review of industry funding models.

Thank you for the opportunity to submit.

Mark W Johnston
CHIEF EXECUTIVE OFFICER