Environment and Planning Committee  
Parliament of Victoria

**INQUIRY INTO LOCAL GOVERNMENT RATE CAPPING. COMMITTEE HEARING – 29TH APRIL, 2016**

Inquiry's Terms of Reference:

“To inquire into and report every six months on the outcome of the State Government policy of local government rate capping on councils’ viability, service impacts on local communities and impacts on the provision of local infrastructure”.

Council submits:

1) The State Government has introduced rate capping for 2016/17. The equation for Central Goldfields is simple – less income means fewer services.

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

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

Council 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.

Council’s draft 2016/17 Budget includes sustainable measures which address the $2.3 million adjustments required, including:

- Approximately half the amount addressed through increased fees and charges.
- Approximately half the amount addressed through expenditure cuts.
- Examples of expenditure cuts include removal of rural transport services; of specific assistance to Kindergartens; of annual operational allocations to local SES units; of support for community events and activities; of some street sweeping.
The draft budget provides no capacity for any local contribution to community infrastructure projects (e.g. through the Regional Jobs and Infrastructure Fund).

There is now no financial capacity to help bring new business/industry to the Shire.

Council has been innovative in the past and will continue to do so, including a current trial of shared procurement services with the City of Greater Bendigo.

3) 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 (in the 2016/17 Budget) is $112,300 – an increase to Council of 31.8% over 4 years.

4) 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.

The substantive amount of Council revenue being raised from a property tax was appropriate when Council provided substantially property based services. This is no longer the case, with Councils providing so much more.

5) Council refers the Committee to the ‘Whelan Report’ into Councils Financial Sustainability.

The Whelan Report/Model provides an evidence-based analysis of why some municipalities will be inherently financially challenged. It does this by taking selected 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.

There will be fundamental differences between municipalities. The reality is, and has to be, that all Councils are not created equally.

6) Central Goldfields Shire, on almost any measure, is one of the most disadvantaged areas in the State (ranked 1 out of 79 municipalities on the SEIFA index). Council, with assistance from successive State Governments, is implementing the ground breaking 'Go Goldfields' social change program – tackling early years literacy; addressing work readiness; keeping women and children safer in their homes; and improving the prospects for families.

The collective impact approach to this work has been successful because Council has acted as the backbone organisation. It is false economy to reduce the capacity of Council to respond to these social challenges.
7) 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”.

The key here is ‘recurrent government grants’, rather than opportunistic grant programs.

The Committees 'First Report' December, 2016 recommended “That the Victoria 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.

Thank you for the opportunity to present to the Committee.