4 September 2017

Mr Michael Baker
Secretary - Legislative Council Committees
Department of the Legislative Council
By email: epc@parliament.vic.gov.au

Dear Mr Baker

Parliamentary Rate Capping Inquiry

Thank you for your email dated 4 August 2017 in which you seek submissions to the Environment and Planning Committee’s inquiry into the Fair Go Rate Capping System. Please find below the City of Greater Bendigo’s submission, summarised under five key themes:

1. **The integrity and rigour of local democracy:**
   - There is no doubt that the rate capping regime has implications for the ability of Councils to operate independently on behalf of their local communities.
   - One of the key roles of a democratically elected Council is to establish their own strategic plan in partnership with and in response to the unique needs of the local community, and then to establish a budget that is able to deliver on those needs.
   - The rate capping regime undermines the ability of Councils to independently perform this important role for local communities.

2. **Local context – the needs and preferences of the local community:**
   - One of the roles of Councils is to meet the needs of local communities, and

   the rate cap variation process is described as being based upon a business case developed on the basis of these local needs.
   - However the Minister has stated that rate cap variations will be approved only in exceptional circumstances. Asking Councils to engage with their communities to agree on what infrastructure and services are needed and then making it virtually impossible to deliver on these if a rate cap variation is required cannot be considered fair or balanced, much less logical or efficient.
   - The current rate cap model is linked to CPI, which is a measure of cost growth only. The model in this format does not take account of or provide for the increasing service needs of a growing and diverse community.
   - As these service needs will continue to be prioritised by Councils, there is a high likelihood that over time the rate capping regime will substantially impact on capital works investment, including in the high priority area of asset renewal, as budgets become tighter over time.
   - Councils will also need to review services delivered, and consider what role local government should play in funding and delivering these important community services into the future.
3. **Cost shifting, responsibility shifting and reduced grant revenue:**
   - One of the most significant impacts upon Councils’ budgets over time has been the persistent expectation that Councils will fund and deliver more and more services and projects on behalf of state and federal governments without an adequate funding source.
   - Direct and indirect cost and responsibility shifting from the state to local government has grown over time, for example in library services, maternal and child health and home and community care services, and the management of Crown land.
   - Rising administrative and reporting burdens on local government imposed by the state also direct resources away from service and project delivery, for example complying with duplicated reporting requirements involved in the LGPRF and rate capping annual compliance report to name just a few.

4. **The needs of a regional City:**
   - In addition to the usual service and project delivery role that is played by most Councils, regional cities such as the City of Greater Bendigo play a critical leadership role in the region in encouraging investment, accommodating a growing population and fostering employment growth. Cities like Bendigo also play a broader role in the viability and success of Victoria as a resilient and sustainable state.
   - Services and facilities provided and paid for by City of Greater Bendigo residents often support and service community members right across the region and contribute significantly to the viability and attractiveness of the region as an economic and community hub. This also has implications for the City in renewing a substantial asset base of more than $1.3B in value, that services a large part of regional Victoria, not just the City of Greater Bendigo.
   - It is encouraging to note that the Minister has enshrined within the rate capping regime the ability to set different levels of cap for different Councils, and the City of Greater Bendigo strongly encourages the Minister to use this ability to help meet the growth funding needs of regional cities in the future.

5. **The level of the cap, and financial sustainability implications for local government:**
   - The level of the cap originally proposed by the ESC included a wage indexation factor. The decision of the Minister not to incorporate this into the final cap set for 2016/2017 was extremely disappointing, as the government is well aware that pre-existing Enterprise Agreement commitments mean Councils are not able to reduce wage growth in the first one to two years without cutting staff numbers. At the very least a transition period of 2-3 years would have enabled Councils to revisit enterprise agreements and ensure direct service provision was not impacted.
   - It remains the City of Greater Bendigo’s position that CPI is not a relevant measure for the purposes of understanding the escalating costs in the local government environment. As the rate capping regime evolves, effort should be put into developing a realistic and meaningful cost escalation measure for service and project delivery in the local government context.
The implementation of an efficiency factor is also misplaced as it ignores the fact that most Councils will need to make cost cuts just to deliver the same standards of service to a growing population under a rate capping regime. In other words, efficiency is already built into the model, and is not required as an additional factor.

The City of Greater Bendigo would welcome the opportunity to discuss this submission in more detail if required. Please contact Director Corporate Performance Kerryn Ellis on [redacted] should you have any queries.

Yours sincerely

Craig Niemann
Chief Executive Officer