INQUIRY INTO RATE CAPPING

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Historical Justification

Part of the very initial consideration by the Inquiry, should be evaluation of previous rate capping attempts, not only in Victoria but elsewhere. Were these successful? What lessons or other useful information was acquired?

Given that times have changed, these previous learnings may not be applicable, but, the rigour of doing such a comparison could give comfort to the general public.

General

Having served as a Municipal Councillor for some 25 years, my observation of previous rate capping efforts is that they don't work.

I understand that the Municipal Association of Victoria will be submitting to the Inquiry on behalf of its members. I have perused some of the already lodged submissions by individual councils, and generally support their comments and suggested amendments /variations to rate cap policy and administration.

However, there is one aspect of this inquiry that needs further work; that of Council efficiency and effectiveness. Given that the Inquiry is about minimising ratepayer outlay, then optimising the above should be a pre-cursor to increasing rates and rate capping.

One of the “measuring” tools already available to evaluate Council’s performance and rate requirements is the “Annual Community Satisfaction Survey” conducted by Local Government Victoria (LGV). This provides, via market research of actual ratepayers, performance indicators over a range of service areas that Councils provide.

In some service areas there is need for more expenditure to achieve target outcomes. Eg new playgrounds – in new communities (eg outer Melbourne, Torquay North, Armstrong Creek – Geelong)

In others, there could be more outcomes / services provided if work processes were improved using current or reduced staff. Ie. Hold down the overhead costs Eg. Statutory planning could have approval times dictated by cost/value.
<$5k – 1 week to approve < $50k – 1 month < $ 500k – 3 months
This could result in reduction of costs associated with applications, both direct and indirect. i.e legal, council staff time

I note that the City of Dandenong submission (p4) indicates that Employee Costs are 53 % of expenditure; I suspect that this will be similar in many other Councils. After examining the Dandenong budget, these costs equate to $73 m.
As indicated above, if work processes were subject to “Value Management Analysis” (VMA) so as to be, simplified, reduced or eliminated, current and/or growing service needs could be delivered with current staff levels. Hence, this component of need for increased rates could be excluded from consideration. Eg. a 1% saving = $ 730,000 not required from rate revenue.
The Inquiry might consider under Principle 5, “rate increases should be considered only after all other viable options have been explored” by the inclusion of VMA as a pre-requisite.

Councils grapple each year with the competing needs of “services wanted” versus what funds are available.
Most times they agree on a Strategic Resource Allocation Plan (SRAP) that outlines 5 year projected income /expenditure.
However, this cannot factor in changes in areas outside its control, such as changes in State Govt policies/practices and charges, that have flow-on impact on Council service delivery.
This Inquiry must address how rate capping might operate and/or adjust for consequences arising from yet unknown State and federal govt changes as above.

Finally, ratepayers are the ones that choose Councillors and politicians.
They will “terminate” elected representatives (Local/ State /Federal) if the services needed (not just wanted) are not provided and/or the cost burden gets too much.
All tiers of government, jointly and severally, can/should set performance parameters to accommodate changing circumstances.

Those Councils who go over a trigger level of proposed expenditure, could /should be held to account. Eg. 5% above CPI (or other as suggested by MAV and its members)
They should be required to to explain/ demonstrate (to State Govt) why the proposed expenditure/proposed rate/s are necessary.
Those within/under the “trigger” cap rate should be able to operate autonomously, until the next municipal election, when ratepayers decide the fate /future of their expenditures via who they elect.

A one size rating cap will not fit all!!