Terms of Reference:
That pursuant to Sessional Order 6 this House requires: the Environment and Planning Committee as part of its oversight of Local Government Victoria, 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.

I support the State Government’s Rate Capping Policy and make the following submission in a personal capacity:

1. While Rate Capping is a blunt instrument it is a good start to the scrutiny into local government performance that I believe is necessary and seriously overdue – this is an area of micro-economic reform that needs attention. Local government has contrived to develop, promote and justify measures of performance (e.g. customer satisfaction surveys) which produce woolly comparisons – often on a so-called like-with-like basis that leaves the average rate-payer confused. Like-with-like comparisons seem to be based on size but don’t take into account often huge qualitative differences such as remote rural compared with an outer peri-urban situation. The exception to this contention is the Auditor General’s financial reviews but these are measures of financial viability (or sustainability, as seems to be Councils’ preferred terminology) which, again, do not evaluate the qualitative performance of Councils.

2. Rate Capping addresses only the increase proposed in the annual Council Budget. This ‘headline’ figure, so beloved by the media, can be totally misleading – with some Council’s adding to this charade if they are in a position to claim ‘our rates are lower than x, y or z’. The underlying ‘cents in the dollar’, their property valuation and the various charges levied by Councils determine how much the rate-payer must pay.

   For instance, comparisons between adjacent municipalities for the 2015/16 Budget:

<table>
<thead>
<tr>
<th>Municipality A</th>
<th>Municipality B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Increase</td>
<td>4 %</td>
</tr>
<tr>
<td>Base rate (cents in the $)</td>
<td>0.004219</td>
</tr>
</tbody>
</table>

   The difference in the base rate is the result of historical rate increases and must be teased out if the purpose of this review is to make things fairer for rate-payers. After charges etc a given household is paying more in Municipality A than Municipality B – and receiving fewer services.

3. The terms of this Inquiry relate heavily to outcomes for Councils and seemingly, to a lesser extent, to service impacts on local communities. My enthusiasm for this Policy when it was first announced was that the financial impact on rate-payers would also be a basic consideration – which I still believe it should. However, with respect to service impacts I believe these fall into three categories plus one about which I would like to make some observations:

   o roads, rubbish and other ‘heavy’ infrastructure;  
   o social & community services  
   o planning, and  
   o the appropriate consultation underpinning these areas.

4. Hard infrastructure As an active ‘Council-watcher’ and with an extensive background working with Councils the two refrains which I hear most are: (i) extensive road network and small rate base, and (ii) laments about ‘cost-shifting’ from higher levels of government. I expect both tunes will be sung in many of the submissions the Inquiry will receive. I suspect there is a lot of validity to both concerns and know that road funding is a huge item for all levels of government. Nothing short of a major review of responsibilities will address these complex problems but I make the observation that the pressures on local government to maintain road networks is a major constraint on what can be done in other areas of Council budgets. For this reason the requirement for reporting every six months is welcome.
5. Social & Community Services These are the areas of municipal activity that engage the conscious attention of communities most – and where there is greatest potential for conflict, inequity – and initiative. The relationship and understanding between Councils and their communities are where significant improvement should be made and where significant increases in Council performance can be achieved. Active and resilient communities will take a greater than fair share of responsibility for their future, often spelt out in a Community Plan, and it is important that Council respond with an attitude of collaboration and trust. This also is a complex area for law-makers but, unless a claim that ‘we’ve got everything covered’ (in a world of ever-increasing uncertainty!) can be sustained then Council’s should be encouraged to improve and be accountable for how they relate to their communities. (see also consultation)

6. Planning Many smaller Council have serious capacity and competency restraints on their ability to discharge even their statutory planning responsibilities. Higher level planning, e.g. natural resources and population growth, are rightly the responsibility of larger regional authorities but local government, often lacking geographical coherence, still holds the planning powers – this is anomalous and an obvious area for rationalization. Worse the ‘survival’ mentality of some smaller municipalities has potential for them to make decisions for the short rather than long term.

7. The ‘subsidiarity principle’ says that all decisions should be taken at the lowest competent level. Implied in the above comments are that some infrastructure and planning responsibilities currently held by local government should be taken at higher levels to ensure competence and achieving better, longer-term environmental, social and economic goals while some local matters are better dealt with at the community level. The tendency of local government to cling to their powers (at the same time crying poor) frequently lacks credibility and supports the need for a wider review of the performance, role and accountabilities of local government.

8. Consultation This is a truly vexed area – when is consultation effective or enough? Local communities have the greatest stake in the future of their town and district and are understandably frustrated when Council fails to listen and/or makes decisions without explaining why – or their one local Councillor is out-voted by the majority. Consultation formulas (frequently referred to as ‘tick-the-box’ exercises) often raise more heat than light, annoy both Council officers and community members and add little to good governance. How do we break the impasse? I don’t believe the customer service surveys* are sufficiently discriminating and therefore propose that, as part of their accountabilities, local government should be subject to random audits. State members tell me that the great many of the issues raised with them are about local government responsibilities. This together with the reality that local government funding comes from either rate-payers or State and Federal Grants entitles both to greater accountability. [*my Council might just be lucky, for I have been contacted for these surveys 3 of the past 4 years – but then, I have a landline!]

Summary and Recommendations:

1. The Rate Capping Policy is strongly endorsed but should be seen as only a first step for greater accountability by local government to its funding sources, government and rate-payers, and micro-economic reform in this tier of government.
2. Rate Capping is a blunt instrument that should be further developed to better assess the financial and qualitative performance of Councils and the financial impacts on rate-payers.
3. The role, responsibilities and accountabilities of local government should be subject to greater scrutiny, paying particular attention to the potential conflicts between service and survival.
4. The Subsidiarity Principle should be applied to many areas of Council operations.
5. Consultation should rank alongside other mainstream areas of local government activity and be subject to random periodic audit.

Ian MacBean, 10 July 2015