Whitehorse Ratepayers and Residents Association Inc
Inc # A 0053805 M

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10th July, 2015

The Secretary,
Environment and Planning Committee,
Parliament House,
Spring Street,
MELBOURNE, VIC, 3002.

Dear Sir/Madam,

Re: INQUIRY INTO RATE CAPPING POLICY – CALL FOR SUBMISSIONS

Please find attached our submission for consideration.

Yours sincerely,

Colin Carter
Secretary,
WRARA.
1. **REPRESENTATION**

There are a number of stakeholders in the Rate Capping progression. These include:-

   a. The State Government
   b. ESC
   c. VLGA and MAV
   d. Councils
   e. Ratepayers

Whilst it is recognised that the latter two are the most affected by this reform, the Ratepayers appear to be the absolute least represented in the development of Rate Capping, either individually or by Ratepayers Associations.

There is next to zero visibility of the next steps. Public Meetings – what? where? when?? Hence we are unable to identify if we should request participation in the hearings or not.

One only needs to go to the ESV website to find that the page on “Local Government Rate Capping and Variation Framework” has not been updated since 24th April, 2015, or some 2 ½ months ago !!! Yes there is access to a newsletter, but it is recording information AFTER THE EVENT!!!

So much for the claims of the Consultation Paper of involvement and transparency!.

Unless there is Transparency, and Ratepayer Participation, it will be perceived as the same old case of Rule by Bureaucracy for Bureaucracy. Who is looking after the Ratepayers interests?

Why aren’t Council’s being forced to publish, as part of their normal local newspaper and bulletin flag waving, the current status and timetable of the ESC progression, and encouraging Ratepayers to be involved, and how they can be involved (with pre-edited releases from the ESV if necessary).

Further there appears to be a total lack of transparency of the interactions between the select groups in the upper part of the above list – apparent collusion behind closed doors.

2. **COUNCIL ETHICS**

Whitehorse Council, along with many others, are currently into uncontrolled cash grabs. The Whitehorse Mayor openly admitted in a recent Council Meeting that the additional 2% one-off hit on ratepayers this year was Council’s reaction to upcoming Rate Capping (and this took the annual rate increase to 7.6%, understood to be the highest in the state!!).

Councils have not taken on board the warning by the Minister regarding cash grabs.

If the transition to Rate Capping is to take place over a number of years, what measures will be put into place to preclude continuing uncontrolled cash grabs over that number of years?
Whitehorse Council has irresponsibly projected 4% rate increases every year for the next four year projected draft budget period. Well above CPI, and also well above CPI plus a local Govt. Cost Index. Whitehorse hasn’t got the message, and is still angry and in denial. (Classic symptoms of a human’s traumatic event/experience).

Further it appears that Whitehorse Council is rapidly moving to spend some $106m on frivolous development works which involves spending all Councils reserves, and placing Council (i.e. Ratepayers) into significant debt for many, many, many decades, all before Rate Capping. Council appears to have an attitude that it may be in a better position to hold out its cap to the ESV for higher variations on future rate increases with these circumstances.

What emergency measures can be immediately implemented to preclude Councils acting stupidly on the short term with Ratepayer funds?

With such an attitude and such poor ethics, holding Ratepayers in absolute contempt, our Whitehorse Council cannot be trusted.

There is significant concern, for example, that this Council will put (hide) all its philanthropic cash sprays, inefficiencies, and wasteful and unlawful expenditure into the basic “CPI” portion of budget, and then try for variations above CPI with justified capital items well based on good business acumen.

How will such practice be prevented??

Council has an Audit Committee which is almost innocuous given it is predominantly Council auditing Council, has negligible independence, only works on items submitted from the Council side, and is confronted with conflicts of interest.

One recent suggestion was for the ESC to request and Local Government Minister to incorporate into the Local Government Act (LGAct) a listing of those specific items to which Councils must limit their expenditure. Spending outside the prescribed list would invoke statutory/lawful actions by the State.

Whitehorse Council claims to have some 100 to 150 services. It doesn’t know how many, and doesn’t quite know what they are. It almost appears that if the typist scratches her ear whilst typing a letter to a Ratepayer, then this scratching is a service.

A further suggestion has been the inclusion in the LGAct that a Ratepayers referendum must be held where a Council wishes to spend more than a prescribed percentage of one years budget on a single complete capital project (which itself may run over a number of years).

3. COUNCIL TRANSPARENCY AND CONSULTATION

How is it planned to increase transparency of Councils?

Since the Federal Government’s Border Control Policy set the terminology precedent, inquiries by the Residents and Ratepayers to Council have increasingly been met by “we don’t comment on procedural matters”. Suddenly everything is a procedural matter.
There surely must be a statutory requirement that Councils must reveal all, i.e. everything, unless precluded by another Act (e.g. the Privacy Acts). The current window dressing is stifling.

The current level of detail in Council’s Budget is useless. It is not possible to marry up external funding versus Ratepayer funding on various budget items. What is Ratepayer funded spending and what is State and Federal Government funded spending. The level of detail does not permit visibility of all the planned frivolous cash sprays and philanthropic waste.

There is no visibility of zero base or bottom-up budgeting.

Councils are not required to demonstrate continuous financial improvement.

A classic example of waste is the Whitehorse November 2014 celebration of 20 years since the Kennett era Council amalgamations. Adjacent Councils sensibly did not waste their resources on such an event. Cost approx. $140,000. Attendance less than 150 people!!!. And Council’s response to the Ratepayers outcry….."next year complain at budget time.". The only problem being that such events are not visible at Budget time!!

And why are Councils into commercially competitive enterprises. This is not the reason for the existence of Councils, and Councils must be outlawed from such environments. Whitehorse openly admits its “Aqualink” centres are not returning appropriate income due to market place competition. And golf courses when there are numerous competing golf courses in Whitehorse and surrounding areas, and, etc..

Councils approach to consultation is an absolute sham, if it occurs at all.

Council has claimed in its budget document, for example, that closed meetings of Councillors constitutes consultation. Supposed consultation surveys are loaded with biased questions. Council has lived in its own world for decades and has only recently participated in the State run Ratepayer Survey, and Councils rating has totally collapsed in the 2013 to 2014 surveys.

This whole area must be opened up for Ratepayers to observe transparently the decisions being made, and to be able to identify with their justifications.

4. **CPI AND THE LOCAL GOVERNMENT COST INDEX**

Many Councils place a major emphasis on flag waving about sustainability.

Ratepayers are under increasing cost pressure. Utilities and taxes are increasing at an unrealistic and disproportionate rate, well above CPI, with Ratepayers having an ever decreasing percentage of their funding to cover their personal day to day liveability. And Whitehorse demographics are projected to move significantly towards an ageing population with a decreasing real income.

So how can Council’s continue to charge rates above the CPI?. What is the breaking point for households where household incomes are not increasing at CPI?? Charging rates above CPI
is simply not sustainable. Households are failing financially now. All that is required is an algorithm to calculate when everything progressively collapses around Ratepayers lives. Is it the ESV’s intent to push home owners out of owning homes?

A good historical analysis of the Local Government Cost Index (LGCI) experience in NSW is warranted with specific focus in a number of areas.

A comparison of pre and post Rate capping in NSW appears to show that the index has decreased. i.e. as the availability of funds ex Councils started to decrease (as funds were limited and spent more wisely), the market place became more competitive. Suppliers and Contractors suddenly had to sharpen their pencils. Surprise, surprise, Council costs started to decrease.

(A direct parallel is the first homeowners grant. When the grant was introduced the cost of houses went up by the almost identical value of the grant. So no benefit to the first homeowner, but significant benefit to the owner/builder/developer/supplier/contractor.)

Councils must be required to have realistic hardship policies. Currently there are none, or they are not disclosed, or are not transparent!. (Interest on outstanding payments may be reduced, and payment plans might be considered, but nothing else.)

5. **COUNCILS AND BUSINESS ACCUMEN**

Again an analysis of the history of Rate Capping in NSW would be beneficial in this area.

Councils could be broadly categorised into two groups – those demonstrating business acumen, and those demonstrating a philanthropic approach.

Not unsurprising many of the country NSW councils who historically had done it fairly tough, shone through in many areas with Rate Capping. They were used to making tough business orientated decisions.

Some of the philanthropic Councils were able to make a transition, but some ended up in disarray. In a number of cases the Minister has had to step in.

So in many instances Councils will require assistance in their transitions. And again, hopefully, there will be some form of preclusionary measures during any transition to prevent ongoing cash grabs and stupid spending..