

RATE CAPPING BRIEFING - BOROUGH OF QUEENSCLIFFE STATE LEGISLATIVE COUNCIL

1. Borough Overview

The Borough of Queenscliffe is a lean and agile local government, our size necessitates a high level of productivity and requires an innovative approach to maximise efficiency in the Council operations. Small councils, such as the Borough of Queenscliffe, with fewer resources are at a greater disadvantage if the proposed ESC approach to rate capping is implemented in its current form.

The Borough of Queenscliffe's programs and services reflect a dynamic mix of legislative obligations, agreed service arrangements with other levels of government and commitments to Council priorities, clearly expressed through the Council Plan and annual budget. Essentially, the range of services provided by the Borough of Queenscliffe Council is determined by three different and sometimes related processes:

- Services we are obliged to deliver under various State and Federal legislative obligations;
- Services we deliver under a formal agreement with either State or Federal government;
- Services we decide to deliver in response to an identified high priority community need.

The following table provides a framework for understanding the drivers shaping the Borough Council's service obligations and program priorities that demand funding.

Driver underpinning Council Services	Examples of services in the Borough of Queenscliffe
Services Councils are obliged under State and Federal legislation to carry out	Statutory Planning Services Public or Environmental Health Services Road Management Management of Domestic Animals
Services Councils carry out under a formal agreement with State or Federal government	Home and Community Care Services School Crossing Supervision Foreshore Crown land assets Libraries
Services Councils deliver to meet or respond to high community needs or interests	Provision of sport, recreation and community development services Provision of business and tourism development services

Council remains one of the lowest rating municipalities in Victoria, yet in order to deliver current services, we still cannot achieve a rate rise lower than CPI. Council's 2015-16 rate increase was contained to 3.8% following extensive community consultation and operational efficiency gains. This reflected the average increase of 3.8% as per the MAV's Local Government Cost Index of around 3-4 per cent, which tracks councils' actual cost movements.

Council does not have a separate municipal charge or garbage charge due to the regressive nature of fixed charges. Rate capping will place pressure on Council to introduce a garbage charge to recover the cost of the service. This will disadvantage lower value properties, which represents a comparatively high percentage of older residents in the Borough who are retired and likely to be on fixed incomes.

It is Council's underpinning position that serious consideration should be given to applying a different cap to the small rural councils grouping as per the LGV definition and earmarking an allocation of grant funds to the small rural councils grouping to offset the impact of any proposed universal statewide cap.

2. Impact of the ESC Proposed Approach to Rate Capping

The Borough of Queenscliffe Council is concerned about the impact that the proposed ESC approach to rate capping will have on services and the positive working relationship with local communities.

2.1 'One size fits all' approach fails local communities

The Commission recommends that there should be one rate cap that applies equally to all councils in Victoria. This one size fits all approach prevents each Council from responding to the specific and unique needs and pressures of the communities they serve. This underpins service delivery and capital programs which informs each Council Plan, Strategic Resource Plan and Council Budget.

2.2 Addressing equity and disadvantage

The proposed ESC methodology undermines Council's ability to implement a more equitable distribution of rates to benefit lower value properties. Rural communities and smaller councils have higher levels of asset management responsibilities. This disadvantage is not recognised or addressed by the ESC proposal and is a significant financial challenge for local government because limited alternative opportunities to raise revenue exist.

2.3 Underpinning cost indexation is flawed

The proposed cost indexes utilised in the formula are not an appropriate cap. A significant proportion of Council's costs relate to construction, asset maintenance, waste management, contracts, wages, fleet/plant expenses and utilities costs. Other significant costs are mandated or imposed, such as election costs, property valuations, school crossings, insurance premiums and regional library contributions.

2.4 Back to front budgeting misses the mark

The application of the cap as presented does not reflect the way councils are required to prepare a budget to determine the rate rise. The rate rise is a product of the amount of rate revenue to be raised including annualised supplementary rates from the previous year, not the other way around. The proposed ESC approach to apply a fixed cap and work backwards to determine the level of rate revenue does not comply with the Act (s.158). Adopting the notional "average ratepayer" methodology will reduce total revenue available and by implication reduce the level of services that can be delivered to ratepayers.

2.5 Responsible use of available funds

The ESC report at Section 6.3 infers that councils should raise debt to offset the impact of rate capping and before applying for a variation. This would effectively shift the rate burden to future generations.

2.6 Proposed implementation timeline is unworkable

The proposed timelines, including assessment of Council variation requests to ESC from March to May, prevents councils from placing its draft budget on public exhibition by 1-2 months. The model proposed by the ESC undermines the trust between Council and the local community by compromising the consultation process and timing.

The opportunity to genuinely consult is extremely sensitive to the budget timeline. The timeline proposed by the ESC prevents councils from meeting the legislated requirements in relation to budget preparation and adoption. The fact that 2016-17 is a general revaluation year will mask any impacts of the proposed rate capping and confuse the general public.

2.7 Best value is the role of local government

The inclusion of an efficiency factor assumes that the productivity of councils is a matter for the ESC, and not individual councils. It is the role of councils to define, measure, consult and report on the assessment of value for money in service delivery as defined by the best value principles in the Local Government Act (1989 s.208B/208C). The ESC proposal also flags additional performance reporting outside of existing requirements and new measures such as the LGPRF, which is already a significant administrative burden on small rural councils.

2.8 Funding the operations of the Essential Services Commission

We strongly believe that the State Government should fund the operations of the Essential Services Commission as applies in New South Wales.

For further information:

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