

# Inquiry into Rate Capping Policy

Committee Hearing – 23 September 2015

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## Purpose

Given the terms of reference for this Inquiry, it is not yet possible to comment on 'the outcome of State Government policy of local government rate capping on council's viability, service impacts on local communities and the impacts on the provision of local infrastructure'. However, it is possible to make some comments about the process of developing a rate capping framework to date.

## The process of developing a framework

The Essential Services Commission (ESC) has, through its two staged consultation engaged in an extensive process. The second phase involved narrowing the focus onto a proposal or model for rate capping about which we expect the Minister to make a final announcement by the end of September.

There are however, some aspects which are worth noting for future reference. They include:

1. The Terms of Reference for the ESC were narrow to start with and were bound to produce a model for rate capping that did only that and excluded opportunities to build in sector development and innovation for the future. The title for the ESC's review 'A Blueprint for Change' is hard to understand as it is only tackling the financial aspects of the reform program.
2. Local Government has experienced several 'hits' in terms of funding cuts or impositions in the last few years including the freezing of the Financial Assistance grants, the Defined Benefits Scheme call, and now rate capping. While the economy is generally slow and we are aware that some businesses are 'doing it tough' with all governments tightening their belts, it is important to note that councils are significant employers at the local level and have the capacity to act in as an economic stimuli through investment in capital works and social infrastructure along with future planning beyond the short term.
3. Other tiers of Government need to be careful when they continue to expand their expectations and that of the community regarding the range and breadth of responsibilities associated with local government. While a lot of this may make good sense as the tier 'closest to the people', it requires resourcing in an ongoing manner.

The mandating of the Health and Wellbeing Plan for example, along with a host of other strategies and plans, place considerable pressures on the organisation in terms of resourcing the delivery and implementation. To be serious, about youth, positive ageing, community engagement etc, these need to be resourced with the appropriate skillsets.

Too often, staff in small to medium sized rural councils have to juggle many functions. Councils are expected to be modern and well equipped in rural areas as they are in the metropolitan

## Southern Grampians Shire Council

area. Increasing sophistication of residents, customers and visitors means that there is a tension as the organisation tries to grow and develop while being seriously financially constrained.

Reducing rates is only part of the challenge and the opportunity.

4. It is an interesting fact that Southern Grampians Shire Council's revenue earning capacity, as with other councils is now 'fixed' other than fees comprising approximately 15%. Notwithstanding this, other 'new' avenues such as land sales will be seriously explored but this raises a structural funding issue for local government into the future.

The implications of a rate capping regime over many years clearly needs to be closely measured and monitored in terms of its impact on the sector's ability to design its own future rather than to be a 'hand maiden' of State Government.

5. The introduction of the Local Government Reporting Framework by the State Government has consumed a lot of resources but is limited and will not provide a good mechanism to understand the impact of rate capping. It struggles, as it only provides output measures and avoids the all-important issue of measuring outcomes. This is the area that a concentration of effort needs to happen to really understand the impacts on the community.
6. The jury is out on the issue of whether regional/rural councils should be treated differently. The update last week on the ESC's website suggest that this issue is still being considered. This is a vexed question and one that has been tossed around. While it has been argued locally that maybe there is a case for being treated differently there is also the equally strong argument that smaller councils can act responsibly and plan for the future. Consigning to a 'second cousin' category means the best in rural/regional can be overlooked. There is nothing better than strong interaction across the entire sector to strive to improve and innovate into the future with strong lines of accountability.
7. A number of councils have already been working on achieving efficiency gains. For SGSC this has already been factored into the budget. Councils have the ability to self-regulate. There is no greater transparency than at the local level. Federal and State Governments could demonstrate how this can be charted.
8. A snapshot of some special features of Southern Grampians:
  - Shire area: 6,652km<sup>2</sup>
  - Major urban city: Hamilton
  - Smaller town centres: Balmoral, Branxholme, Byaduk, Cavendish, Coleraine, Dunkeld, Glenthompson, Peshurst and Tarrington
  - Replacement value of non-current assets : \$528 million written down to \$326 million
  - Number of services: 60
  - Enterprises: Art Gallery, Performing Arts Centre, Hamilton Indoor Leisure and Aquatic Centre, Cinema, Livestock Exchange, Airport, Quarry and Industrial Land Development