

City of Ballarat

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Date: 14 February 2018

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Attention: Local Government Division
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Dear Commissioner

SUBMISSION TO SETTING A LOCAL GOVERNMENT EFFICIENCY FACTOR – DRAFT PROPOSAL

Thank you for the opportunity to provide a submission on the Essential Services Commission's (ESC) approach to setting a local government efficiency factor.

The City of Ballarat is extremely concerned by the 'Fair Go Rates System' and the continued adverse impact it has on Council's capacity to deliver essential services and infrastructure to its community; a community which is growing at a rate of 1.8% per annum, making it one of the fastest growing regional centres in the nation.

City of Ballarat believes an 'efficiency factor' places an unnecessary level of bureaucracy on Council, particularly as we enter an era of greater agency under a proposed Local Government Bill that aims to provide less prescription on Councils.

Ballarat City Council remains opposed to any form of rate cap and strongly opposes the proposal to place an 'efficiency factor' on local government.

Ballarat is also completely opposed to the onerous process involved in applying for a variation to the rate cap; we continue to raise our concerns with the Minister for Local Government and Local Government Victoria; we believe a more workable system will bring efficiencies.

In recent commentary on the draft Local Government Bill the Minister for Local Government states "Modern Councils play a vital and extensive role in delivering for Victoria's diverse communities. They fund and deliver critical community services ... [and] facilities". Regrettably, under the existing rate capping regime Ballarat City Council is forced to consider how, and most importantly if, it can continue to deliver these crucial services. A further 'efficiency factor' on this rate cap creates an additional barrier for Council in delivering these essential services in a much tighter and restrictive fiscal environment.

The simple reality of the 'efficiency factor' is that while it will reduce the amount ratepayers will pay in rates, it will also result in a reduction in the number of services and facilities ratepayers receive - services and facilities ratepayers rely on Council to provide.

City of Ballarat also challenges the proposition that the 'efficiency factor' is 'insignificant' in amount. We remain deeply concerned that even a small or 'insignificant' factor could and would increase over time, requiring Councils to further reduce services and spending on critical infrastructure.

Local Government is the only tier of government, or statutory authority, subject to such an arbitrary limit on its ability to raise revenue - and have an 'efficiency factor' placed on it. Conversely, we note that in 2016-2017 Victorian taxation revenue was estimated to increase by \$2.5 billion or 13.5 per cent, and that land transfer duty and land tax was budgeted to increase by 14.7 per cent. We note that neither the State nor the Federal Government has an 'efficiency factor' or any other such arbitrary limits placed on its ability to raise revenue.

City of Ballarat challenges the appropriateness and fairness of an 'efficiency factor' being arbitrarily placed on an entire tier of government - one responsible for running a complex system of businesses and providing a diverse and growing range of services to its community.

The ESC appears to have a limited understanding and appreciation of the multifaceted nature of local government, council operations and service provision. This is clearly demonstrated in the Draft Report where the suitability of the 'efficiency factor' on other sectors regulated by the ESC (water authorities and utility companies) is used as a comparison, however it is a false premise - neither is a tier of government, and both operate in an entirely different paradigm.

City of Ballarat contends that any 'efficiency factor' proposed by the ESC on Councils is unnecessary, overbearing and unsuitable. We also contend that the paper provides no evidence base for implementing an 'efficiency factor'; we therefore remain strongly opposed to its introduction.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Justine Linley', written over a horizontal line.

per
Justine Linley
Chief Executive Officer