



AGENDA

**FOR BUDGET AND FINANCE COMMITTEE MEETING TO BE HELD ON
15 AUGUST 2016 AT CONCLUSION OF POLICY AND PLANNING COMMITTEE
IN THE COUNCIL CHAMBER, 12 JAMES STREET, SALISBURY**

MEMBERS

Cr D Pilkington (Chairman)
Mayor G Aldridge
Cr D Balaza
Cr S Bedford (Deputy Chairman)
Cr D Bryant
Cr C Buchanan
Cr G Caruso
Cr L Caruso
Cr R Cook
Cr E Gill
Cr D Proleta
Cr S Reardon
Cr G Reynolds
Cr B Vermeer
Cr S White
Cr J Woodman
Cr R Zahra

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
General Manager Community Development, Ms J Trotter
General Manager City Infrastructure, Mr M van der Pennen
Manager Governance, Ms T Norman
Manager Communications and Customer Relations, Mr M Bennington
Team Leader Corporate Communications, Mr C Treloar
Governance Coordinator, Ms J Rowett
Governance Support Officer, Ms K Boyd

APOLOGIES

An apology has been received from Cr B Vermeer.

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Budget and Finance Committee Meeting held on 18 July 2016.

Presentation of the Minutes of the Confidential Budget and Finance Committee Meeting held on 18 July 2016.

REPORTS

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OTHER BUSINESS

CONFIDENTIAL ITEMS

6.9.1 Request for Extension of Confidentiality Orders: Nursery Plant Supply Agreement

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on that grounds that:

1. *Pursuant to Section 90(2) and (3)(d)(i) and (d)(ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *the release of pricing details contained in the report could prejudice the commercial position of Provenance Indigenous Plants Pty Ltd in the marketplace.*

*On that basis the public's interest is best served by not disclosing the **Request for Extension of Confidentiality Orders: Nursery Plant Supply Agreement** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CLOSE



**MINUTES OF BUDGET AND FINANCE COMMITTEE MEETING HELD IN THE
COUNCIL CHAMBER, 12 JAMES STREET, SALISBURY ON**

18 JULY 2016

MEMBERS PRESENT

Mayor G Aldridge
Cr D Balaza
Cr D Bryant
Cr C Buchanan
Cr G Caruso
Cr E Gill
Cr D Proleta
Cr S Reardon
Cr G Reynolds
Cr B Vermeer
Cr S White
Cr J Woodman
Cr R Zahra

STAFF

Acting Chief Executive Officer, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
General Manager Community Development, Ms J Trotter
General Manager City Infrastructure, Mr M van der Pennen
Manager Governance, Ms T Norman
Manager Communications and Customer Relations, Mr M Bennington
Governance Project Officer, Mrs M Woods

The meeting commenced at 8.45pm.

The Acting Chief Executive Officer welcomed the members, staff and the gallery to the meeting and invited nominations for an Acting Chairman due to the absence of both the Chairman and Deputy Chairman.

**Appointment of Acting Chairman for Budget and Finance
Committee Meeting, 18 July 2016**

Moved Cr G Caruso

Seconded Cr J Woodman

That Cr Gill be appointed to the position of Acting Chairman for the
Budget and Finance Committee on Monday 18 July 2016.

CARRIED

Cr Gill assumed the Chair.

APOLOGIES

Apologies were received from Cr D Pilkington, Cr S Bedford, Cr L Caruso and Cr R Cook.

LEAVE OF ABSENCE

Nil.

PRESENTATION OF MINUTES

Moved Cr R Zahra

Seconded Cr S Reardon

The Minutes of the Budget and Finance Committee Meeting held on 06
June 2016, be taken and read as confirmed.

CARRIED

REPORTS

Administration

6.0.1 Future Reports for the Budget and Finance Committee

Moved Cr G Caruso

Seconded Mayor G Aldridge

1. The information be received.

CARRIED

6.0.2 Minutes of the Program Review Sub Committee meeting held on Monday 11 July 2016

The information contained in the Program Review Sub Committee of the meeting held on 11 July 2016 be received and noted with respect to the following recommendations contained therein to be adopted by Council:

6.0.2-PRSC1 Parks & Landscape and Civil Services Program Review - Update and Implementation Plan

Moved Cr R Zahra
Seconded Cr G Caruso

1. The information be received.

CARRIED

6.0.2-PRSC2 Contracts & Procurement Program Review Outcome

Moved Cr R Zahra
Seconded Cr G Caruso

1. This report and the BRS Report – Procurement and Contract Review (as set out in Attachment 1, Item No. PRSC2, Program Review Sub Committee, 11/07/2016) be received and noted.
2. The management responses as set out in Attachment 2 (Item No. PRSC2, Program Review Sub Committee, 11/07/2016) be noted, and the Executive Group monitor implementation of the actions as required.

CARRIED

Finance

Cr C Buchanan left the meeting at 8:48pm.

Cr C Buchanan returned to the meeting at 8:50pm.

6.1.1 Council Finance Report - June 2016

Moved Cr R Zahra
Seconded Cr S Reardon

1. The information be received.

CARRIED

6.1.2 Treasury Report for Year Ended 30 June 2016

Moved Cr R Zahra
Seconded Cr D Bryant

1. Information be received.

CARRIED

6.1.3 Certification of the 2016 Annual Financial Statements

Moved Cr G Reynolds

Seconded Cr R Zahra

1. The information be received.
2. The Mayor and the Chief Executive Officer be authorised by Council to sign the Council Certificate certifying the Annual Financial Statements for the financial year ended 30 June 2016, following the Audit Committee's review of these Statements on 11 October 2016.

CARRIED

OTHER BUSINESS

6.8.1 2016 South Australia State Budget

Moved Mayor G Aldridge

Seconded Cr R Zahra

1. That the report be noted.
2. That meetings be sought with:
 - Minister Mullighan and Department of Planning, Transport and Infrastructure staff in relation to decisions impacting on opportunities to progress development of the Salisbury City Centre.
 - Minister Maher and Department of State Development staff in relation to progressing the Mawson Innovation Precinct and leveraging budget initiatives to progress the outcomes sought through the Northern Economic Plan process.

CARRIED

CONFIDENTIAL ITEMS

6.9.1 Update on Action on Rates Assessments Outstanding Under Section 184 of the Local Government Act 1999

Moved Cr R Zahra
Seconded Cr D Balaza

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on that grounds that:

1. *Pursuant to Section 90(2) and (3)(a) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*

- *it relates to information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).*

2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *Report contains personal information*

*On that basis the public's interest is best served by not disclosing the **Update on Action on Rates Assessments Outstanding Under Section 184 of the Local Government Act 1999** item and discussion at this point in time.*

3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CARRIED

The meeting moved into confidence at 9.12pm.

The meeting moved out of confidence and closed at 9.16pm.

CHAIRMAN.....

DATE.....

ITEM	6.0.1
	BUDGET AND FINANCE COMMITTEE
DATE	15 August 2016
HEADING	Future Reports for the Budget and Finance Committee
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	This item details reports to be presented to the Budget and Finance Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.
RECOMMENDATION	
	1. The information be received.
ATTACHMENTS	
	There are no attachments to this report.
1. BACKGROUND	
1.1	Historically, a list of resolutions requiring a future report to Council has been presented to each committee for noting.
2. CONSULTATION / COMMUNICATION	
2.1	Internal
2.1.1	Report authors and General Managers.
2.2	External
2.2.1	Nil.

3. REPORT

- 3.1 The following table outlines the reports to be presented to the Budget and Finance Committee as a result of a Council resolution:

Meeting Item	- Heading and Resolution	Officer
29/04/2013 6.4.4	Fees and Charges Report - Waste Transfer Station 3. Subject to endorsement of the creation of the Program Review Sub Committee, the Program Review Sub Committee consider the cost structure and fee structure for residents/commercial vs. non-Salisbury residents/commercial accessing services at the Waste Transfer Station. Due: August 2016 Deferred to: September 2016 Reason: Impact of waste levy increase still to be determined with contractors.	Lyall Thomas
26/04/2016 6.1.1	Project Budget Delegations 4. The Project Budget Delegation be reviewed during the 2017/18 Budget process. Due: April 2017	Kate George

4. CONCLUSION / PROPOSAL

- 4.1 Future reports for the Budget and Finance Committee have been reviewed and are presented to Council for noting.

CO-ORDINATION

Officer: Executive Group GMBE GMCI
 Date: 03/08/16

ITEM	6.0.2
	BUDGET AND FINANCE COMMITTEE
DATE	15 August 2016
HEADING	Local Government Rate Capping Policies
AUTHOR	Charles Mansueto, General Manager Business Excellence, Business Excellence
CITY PLAN LINKS	4.2 Develop strong capability and commitment to continually improve Council's performance. 4.3 Have robust processes that support consistent service delivery and informed decision making. 4.4 Embed long term thinking, planning and innovation across the organisation.
SUMMARY	This report provides an update on the outcomes of the Inquiry into Local Government Rate Capping Policies by the state government's Economic and Finance Committee. The report also recommends that Council provide a submission to the Local Government Association (LGA) on the recommendations of the Inquiry.

RECOMMENDATION

1. The information be received
2. The proposed response to the Local Government Association, as detailed in Section 5 of this report (Item No. 6.0.2, Budget and Finance Committee, 15/08/2016), be endorsed.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. LGA Final Report including the Minority Report
2. LGA Circular - Rate Capping Inquiry Response
3. Correspondence to the Economic and Finance Committee - 23 June 2015
4. LGA Response Template

1. BACKGROUND

- 1.1 The Economic and Finance Committee has now released its final report (Attachment 1) on their Inquiry into Local Government Rate Capping Policies. The LGA is now seeking council feedback on the recommendations made within both the Final Report and a Minority Report (Attachment 2). Feedback is due to the LGA by 29 August 2016.

- 1.2 The Inquiry was initially announced in May 2015 with the recommendations tabled in the House of Assembly and ordered to be published on the 6 July 2016.
- 1.3 The Inquiry received 21 written submissions and 23 verbal representations.
- 1.4 A Minority Report was also received objecting to the recommendation that Councils retain full authority to set their own rates and that no rate cap be introduced.

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 Informal Strategy briefing to elected members on the 1 August 2016
- 2.2 External
 - 2.2.1 Nil

3. INQUIRY OUTCOMES

- 3.1 The Economic and Finance Committee has now released its final report on their Inquiry into Local Government Rate Capping Policies. This report also includes a Minority Report from three SA Liberal Party members of the Committee.
- 3.2 Four recommendations were made by the Committee:
 - 3.2.1 *Local Councils retain full authority to set their own rates and that no rate cap be introduced.*
 - 3.2.2 *Local Councils continue to set rates after full consultation with their communities.*
 - 3.2.3 *Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the Public Finance and Audit Act 1987.*
 - 3.2.4 *Councils be required to publish, on an annual basis, these audits.*
- 3.3 The LGA noted in its circular that it is pleased that the Committee has shown support for the local government sector and South Australian families by recommending that no rate cap be introduced.
- 3.4 The LGA anticipated that a recommendation would be made about the use of the Auditor-General, and therefore last year commissioned independent in-depth research to evaluate the advantages and disadvantages of local government audits by private sector auditors versus the SA Auditor-General. The research is being carried out by Dr Sabine Schuhrer of the University of Adelaide's School of Accounting and Finance, with funding from the Local Government Research & Development Scheme.
- 3.5 The result of this research should be available by December 2016, and the LGA will consult with member councils to develop an informed position.

3.6 The Minority Report, often referred to as a dissenting report, has been prepared by the three SA Liberal Party Committee members in opposition to the recommendations within the Final Report. In the Minority Report, they indicate support for recommendation 2 and are not opposed to the transparency and accountability measures set out in recommendations 3 and 4 of the report. However, in contrast to recommendation 1, they have recommended:

3.6.1 That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households.

3.7 Initial reading shows that these members have largely relied on data from 2005 in describing the sustainability of councils.

3.8 The Final Report will now be provided to the Minister for Local Government to consider.

3.9 Section 19(2) of the *Parliamentary Committees Act 1991* indicates that, once referred to the Minister, the Minister has four months in which to respond to the report. The Minister must indicate which (if any) of the recommendations will be carried out; and which (if any) recommendations will not be carried out and the reasons for not carrying them out.

3.10 The LGA will be providing a submission to the Minister for his consideration. As such, the LGA is now seeking feedback from councils on the recommendations made within both the Final and Minority reports

3.11 The submission from Council to the Inquiry (Attachment 3) aligns strongly to the consideration of the committee and their recommendations, noting that Council did not make any comment in relation to the Auditor General.

4. IMPACT OF RATE CAPPING ON COUNCIL

4.1 Council previously considered a report on the impact of rate capping on its 2015/16 Long Term Financial Plan (LTFP).

4.2 This report highlighted that over the 10 year period of the LTFP:

- Rate revenue will drop by approximately \$47m
- Net Financial Liabilities Ratio will increase to 46.3% compared to 12.3% without a rate capping system. Target range <40%
- Operating Surplus Ratio will drop to -6.2% from 3.3%. Target range 0-5%
- The average difference in using CPI to the planned rate increases is 0.8%

5. RESPONSE TO LGA

- 5.1 The LGA have provided a template (Attachment 4) to assist Councils in providing a response. As the outcome of the Inquiry is in line with Council's previous submission it is proposed to respond to the LGA in the following manner.
- 5.1.1 Recommendation 1: Local Councils retain full authority to set their own rates and that no rate cap be introduced.
- Council is in support of the recommendation for Councils to retain full authority to set their own rates and that no rate cap be introduced as it allows Council to continue delivering the services needed by its community in a financially sustainable manner reflected in Council's strong financial position and stable rate increases.
- 5.1.2 Recommendation 2: Local Councils continue to set rates after full consultation with their communities.
- Council is in support of this recommendation as Council has always strived to engage effectively with its community in setting its Annual Plan and Budget. The support for better engagement was also reflected in our submission to the Inquiry
- 5.1.3 Recommendation 3: Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the Public Finance and Audit Act 1987.
- Council at this stage has no objection to this recommendation and notes the research study being undertaken by Dr Sabine Schuhrer of the University of Adelaide's School of Accounting and Finance.
- 5.1.4 Recommendation 4: Councils be required to publish, on an annual basis, these audits.
- Council has no objection to this recommendation should the Auditor-General conduct the audits. Council already publishes the results of its external audit as part of its Annual Report which includes all relevant financial information required by the Accounting Standards.
- 5.1.5 Minority Report Recommendation: That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households.
- Council does not support the Minority Report recommendation to introduce a rate capping regime. As noted in our submission the impact of a rate capping policy will have various detrimental impacts on Council being able to deliver services to its community. Council has also been able to already reduce its operating costs, effectively uses debt to finance infrastructure and delivered other non-rates income that have assisted in maintaining a stable rate increase. These were all factors identified as arguments within the Minority Report for opposing the Inquiry recommendation.

6. CONCLUSION / PROPOSAL

- 6.1 The Inquiry by the Economics and Finance Committee into a Rate Capping Policies has made various recommendations but in particular that Councils retain the authority to set their own rates and no rate capping be implemented.
- 6.2 The reason for this recommendation is in line with Council's submission to the Inquiry and is strongly supported.
- 6.3 In relation to other recommendations, for example the Auditor- General to conduct audits of Councils, at this stage there is no objection to this occurring. Any implications of this occurring will be further considered following the release of the research study being completed by Dr Sabine Schuhrer of the University of Adelaide's School of Accounting and Finance
- 6.4 Council is asked to consider this report and endorse the proposed response to the LGA as provided in section 5 of this report

CO-ORDINATION

Officer:

Date:



PP263

FINAL REPORT

**INQUIRY INTO
LOCAL GOVERNMENT
RATE CAPPING POLICIES**

91ST REPORT
OF THE
**ECONOMIC AND FINANCE
COMMITTEE**

Tabled in the House of Assembly and ordered to be published on 6 July 2016

Second Session, Fifty-Third Parliament

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Presiding Member's Introduction

The issue of rate capping has become topical in recent times. We have seen the Victorian government introduce a rate capping policy, and the Opposition in this state introduce a Bill seeking to limit future rate increases by South Australian councils. This Bill ultimately did not pass through the South Australian Parliament.

Rate pegging, as it is called there, has been a long standing policy in New South Wales, and the Committee has, understandably, drawn extensively on the lessons learnt there. In 2013 the New South Wales government held an inquiry into local government reform; the chair of that inquiry, Professor Graham Sansom, appeared before the present inquiry. His position could best be described as one of strong opposition to rate capping. One lesson well learnt from the New South Wales experience is that a thorough auditing and reporting procedure is essential if any government wishes to make informed, realistic decisions as to the future of local government. This point was made by both Professor Sansom and by The Hon Greg Crafter AO, who chaired a 2013 inquiry into local government in South Australia.

In addition to 21 written submissions, the Committee held five public hearings and heard testimony from 23 witnesses. The weight of evidence received - from local government members and officials, as well as their main representative body, the LGA - was overwhelmingly against the introduction of a rate cap. One opinion commonly expressed was that having one tier of government impose rate capping provisions on another tier was a direct attack on democracy itself. The written submissions received from those involved in local government (with only one exception) were strongly opposed to a rate cap, while those received from individual rate payers were generally in favour.

On behalf of the members of the Economic and Finance Committee, I would like to express my gratitude to those people who either provided a written submission to the inquiry, or appeared before the inquiry to present oral evidence. We have endeavoured to do them justice in the compiling of this report.

Finally I would like to thank the members of the Committee, and the Committee's staff, who worked so diligently on this inquiry and on the preparation of this report.



Lee Odenwalder MP
Presiding Member

Executive Summary

In May 2015, the Economic and Finance Committee of the South Australian House of Assembly, on its own motion, announced an inquiry into Local Government Rate Capping Policies. The Terms of Reference for the inquiry are listed in *Appendix 1*.

The inquiry received 21 written submissions from interested parties. These submissions ranged in size and scope from just a paragraph or two highlighting single issues, to extensively researched, multi-page documents covering many aspects of the inquiry's brief. A full listing of the submissions received can be found in *Appendix 3*. In addition, the Committee held a total of five public hearings during which it received testimony from 23 persons representing 12 different organisations. A full listing of witnesses heard can be found in *Appendix 4*.

The weight of evidence received by the Committee, both written and verbal, was very much towards the anti-cap argument. In fact, only one senior council figure spoke in favour of the introduction of a rate cap. The others, spanning a wide range of South Australian local government districts – inner metro, outer metro, rural and remote were all represented – were overwhelmingly opposed to a rate capping policy. Many arguments were presented in support of their position, and these are listed in subsequent sections of this report. As a direct consequence of the sheer weight of this evidence, the Committee has, as its principal recommendation, that the authority of local government to have control over its own financial affairs remain unchanged.

Recommendation 1 is made in response to these issues.

Section 123 of the *Local Government Act 1999* requires councils to adopt a public consultation phase as part of their annual business plan and budget setting mechanism. Evidence was presented that communities were not engaging with this procedure. The Committee recommends that councils should continue to consult their local communities in relation to the setting of residential rates.

Recommendation 2 is made in response to these issues.

The Committee received evidence and heard testimony concerning the operation of the rate pegging policy in New South Wales. This evidence was almost universally negative. The policy has been in place for approximately 40 years, and a vast amount of information has been collected concerning its effectiveness. One consequence of the policy, highlighted by multiple submissions and testimonies, concerned the reluctance of NSW councils to exercise the option available to them for exceeding the published cap. The final report of the Independent Local Government Review Panel (2013), which examined all aspects of local government in NSW, including finance, stated that in the year 2011/12, only 23 (out of 152) councils applied for this relief, even though figures suggested that 83 councils would need to increase their rates and annual charges by more than 5 per cent to achieve a simple break even result. The consequence of putting off these hard decisions is a backlog of infrastructure asset maintenance, estimated by the New South Wales Treasury Corp and Department of Local Government to be in excess of seven billion dollars.

The chair of this panel, Professor Graham Sansom appeared before the inquiry as a witness. Also appearing before the inquiry was the Hon Greg Crafter AO, who chaired a similar review into South Australian local government, also in 2013. Professor Sansom was also a member of this latter inquiry. Both inquiries agreed on the need for a thorough auditing and reporting procedure to enable properly informed decisions concerning local government. Mr Crafter's report went so far as to recommend that this auditing be conducted under the auspices of the South Australian Auditor-General's office. To do so would move South Australia into the majority of Australian states, as Queensland, Victoria and Tasmania currently apply this arrangement.

Recommendation 3 is made in response to these issues.

In New South Wales, this auditing program has led, in Professor Sansom's opinion, to a state of affairs in which the regulatory body, IPART, tends to look favourably upon applications for a variation in rate revenue. In his testimony he suggested that 35 out of 36 applications in recent years had been approved. The recently instituted rate capping policy in Victoria contains provisions for such monitoring and reporting of rate revenue and adherence to the published cap, on an annual basis.

The view was expressed, on more than one occasion that a community was more likely to be accepting of rate increases if they were properly informed of: the need for such an increase; and the manner in which these funds would be utilised.

Recommendation 4 is made in response to these issues.

Recommendations

Recommendation 1

Page 37

Local Councils retain full authority to set their own rates and that no rate cap be introduced.

Recommendation 2

Page 38

Local Councils continue to set rates after full consultation with their communities.

Recommendation 3

Page 39

Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the *Public Finance and Audit Act 1987*.

Recommendation 4

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Councils be required to publish, on an annual basis, these audits.

Chapter 1

Evidence Received – Written Submissions

The inquiry received a total of twenty one written submissions, as listed in *Appendix 3*. Of these, twelve were received from local councils and the LGA; this cohort was unanimously opposed to the introduction of rate capping in South Australia. Also opposed to the principle of rate capping was the Australian Services Union. The Property Council of Australia offered qualified support for the introduction of rate capping, while six submissions were in favour of rate capping; these were received from Mr Martin Bray,¹ the SA Federation of Residents and Ratepayers Associations Inc., and four private rate payers. Of the five private submissions, including Mr Bray, a total of four were received from people under the jurisdiction of the City of Onkaparinga. Without exception, these submissions were highly critical of the performance and policy position of their local governing body.

In its submission, the LGA defined rate capping as:

...the imposition of an upper limit on the rates revenue able to be generated by a Council in a period, for example expressed as a percentage increase over the amount generated in the previous year.²

They also highlighted the fact that 32 (out of 68) Local Councils already implement some form of limited rate capping under Section 153(3) of the South Australian *Local Government Act 1999*, which states:

A council must, in declaring a general rate under this section, determine whether it will fix a maximum increase in the general rate to be charged on any rateable land within its area that constitutes the principal place of residence of a principal ratepayer (and a council is, by force of this subsection, authorised to fix such a maximum.)³

As put in their submission:

A Council's power to implement a rate cap is already embedded in the Act. The possible introduction of a new, externally imposed rate cap mechanism, on top of the current process would create another layer of bureaucracy, red tape and impose added costs on all South Australians.⁴

1. Mr Bray, an elected member of the City of Onkaparinga Council, provided his submission and appeared before the Committee as a private citizen. He stressed, and the Committee reiterates, that his opinions were personally held and do not necessarily represent the views of his wider council.
2. (Local Government Association of South Australia, 2015, p. 6)
3. Available at: http://www.austlii.edu.au/au/legis/sa/consol_act/lga1999182/s153.html
4. (Local Government Association of South Australia, 2015, p. 6)

1.1 Issues Raised in Opposition to Rate Capping.

There were a myriad of issues raised amongst the submissions highlighting the likely negative impact that rate capping would have on local government in South Australia. Several issues were raised on multiple occasions. These included the following:

The opinion was expressed, in multiple council submissions,^{5,6,7,8,9,10,11} plus that from the LGA, that the imposition of rate capping would be an attack on the principles of democracy. As put by the LGA:

A fundamental principle of any sphere of government is the ability of that government to govern based on the needs of its community. Elected Members and Council staff, typically living in the communities they serve, make decisions from a local perspective and are often the closest point of contact between people and any sphere of government.

A system that will erode a Council's ability to respond to its community is simply not supportable.

Local Governments consult often with their communities to find local answers to local problems. Through community groups, regular stakeholder engagement on various matters, and genuine personal contact, Local Government is the most accessible and most appropriate conduit for Australians to communicate with their leaders and decision-makers.

The major question that arises when discussing rate capping is the respect for a democratically elected sphere of government versus an externally imposed mechanism that would constrain a Council's ability to raise needed revenue.¹²

Professor Graham Sansom, former Chair of the NSW Independent Local Government Review Panel, tempered this view by highlighting that local government:

...remains constitutionally an arm of the States, which have a legitimate interest in ensuring that councils act responsibly in all aspects of their operations, including rating.

and

Treating local government as somehow separate rather than focusing on creating synergies between the roles of councils and State agencies can only prove counter-productive in the long run – especially when States are struggling to maintain

5. (Mid Murray Council, 2015, p. 1)
6. (City of Tea Tree Gully, 2015, p. 2)
7. (City of Salisbury, 2015, p. 3)
8. (City of Charles Sturt, 2015, p. 3)
9. (City of Onkaparinga, 2015, pp. 2,7,11)
10. (City of Norwood, Payneham & St Peters, 2015, p. 2)
11. (District Council of Lower Eyre Peninsula, 2015, p. 1)
12. (Local Government Association of South Australia, 2015, p. 8)

*essential services. Rate-capping can all too easily get in the way of a mature discussion about roles and responsibilities.*¹³ (emphasis from the original)

He continued on to suggest that many politicians in NSW, from both major parties, considered rate capping to be a 'free hit - politically advantageous to the State government with local councils bearing the cost' and a 'convenient and popular measure to hold down the cost of living and doing business.' However, he stressed:

*Available evidence suggests that this is a seriously mistaken view.*¹⁴

He also questioned the continuing perception of rate capping as a vote-winner. As he explained in his submission:

*Over many years community consultations about 'special rate variations' (increases above the annual cap) in NSW have shown that most people are willing to pay more rates in order to fund specific improvements in infrastructure/services/ environmental amenity, or to avoid cuts in council services. Properly documented and explained, annual increases of 5-10% (typically \$1-2 per week) appear generally acceptable, although there may be vocal objections from some minority interests.*¹⁵

Several councils,^{16,17,18,19,20} as well as the Australian Services Union²¹ believe that rate capping would seriously restrict the flexibility required in the budget process to address long-term community needs and demands. Furthermore, they believe that the capping of rates might impact on the financial sustainability of councils. In their submission, the LGA discuss financial sustainability as a three-way balancing act involving expenditure, revenue and the level of service. They describe how changing any one of these can have a major effect on the other two, and that managing these variables must be made by elected members in conjunction with the council's Strategic Management Plans (SMPs, which must include the Council's LTFP and its long-term infrastructure and asset management plan) and the council's annual business plan.²²

It was felt by some councils,^{23,24,25,26,27} as well as the Australian Services Union²⁸ that rate capping would lead to a stifling of infrastructure development and/or a reduction in capital works projects.

13. (Professor Graham Sansom, 2016, p. 1)

14. (Professor Graham Sansom, 2016, p. 1)

15. (Professor Graham Sansom, 2016, pp. 1-2)

16. (City of Victor Harbor, 2015, p. 1)

17. (City of Onkaparinga, 2015, pp. 7-8)

18. (City of Salisbury, 2015, p. 2)

19. (City of Charles Sturt, 2015, p. 3)

20. (City of Norwood, Payneham & St Peters, 2015, p. 1)

21. (Australian Services Union (SA + NT Branch), 2015, p. 6)

22. (Local Government Association of South Australia, 2015, pp. 13-14)

23. (City of Victor Harbor, 2015, p. 1)

24. (City of Onkaparinga, 2015, p. 9)

25. (City of West Torrens, 2015, pp. 1-2)

26. (City of Norwood, Payneham & St Peters, 2015, p. 4)

27. (Mid Murray Council, 2015, p. 1)

28. (Australian Services Union (SA + NT Branch), 2015, p. 4)

This view was also supported by Prof Sansom who believes that rate capping creates a political environment which can:

...enable councillors to blame the State government for deficiencies in services and infrastructure, rather than having to take responsibility for poor financial management. In NSW these adverse consequences contributed significantly to operating deficits, serious backlogs in infrastructure maintenance, and to the State having to providing additional financial support to many councils.²⁹

The concern that rate capping and the resulting decrease in revenue would inevitably lead to a reduction in the level and scope of services offered by councils to those in the community was raised in more than one submission.^{30,31,32,33,34} The City of Onkaparinga³⁵ and the Mid-Murray Council,³⁶ furthermore, are concerned that this will also lead to the introduction of user pays schemes which will likely impact most heavily on those least able to afford them.

In a similar vein to the concerns raised about the effect on council services, several councils^{37,38,39,40} were worried that rate capping would have a deleterious effect on the maintenance and renewal of council assets. Section 150(c) of the South Australian *Local Government Act 1999* states:

the council should, in making any decision, take into account the financial effects of the decision on future generations.⁴¹

The view was expressed that rate capping would result in the deferment of necessary actions, directly against the spirit of this provision.

A number of councils,^{42,43,44,45} expressed the concern that administration of rate capping, should it be introduced, would lead to an extra level of bureaucracy; as put rather succinctly by the DCCC:

We need red tape capping before we look at rate capping.⁴⁶

29. (Professor Graham Sansom, 2016, p. 2)

30. (City of Victor Harbor, 2015, p. 1)

31. (City of Salisbury, 2015, p. 2)

32. (City of Onkaparinga, 2015, pp. 10-11)

33. (City of Charles Sturt, 2015, p. 8)

34. (City of Norwood, Payneham & St Peters, 2015, p. 3)

35. (City of Onkaparinga, 2015, p. 10)

36. (Mid Murray Council, 2015, p. 1)

37. (City of Victor Harbor, 2015, p. 2)

38. (City of Salisbury, 2015, p. 3)

39. (City of Onkaparinga, 2015, p. 6)

40. (Mid Murray Council, 2015, p. 1)

41. Available at: http://www.austlii.edu.au/au/legis/sa/consol_act/lga1999182/s150.html

42. (City of Victor Harbor, 2015, p. 1)

43. (City of Onkaparinga, 2015, p. 2)

44. (District Council of the Copper Coast, 2015, pp. 1-2)

45. (Local Government Association of South Australia, 2015, p. 6)

46. (District Council of the Copper Coast, 2015, p. 1)

Multiple council submissions,^{47,48,49,50,51,52,53} plus the LGA⁵⁴ and the Australian Services Union⁵⁵ made reference to the rate capping policy in New South Wales, which has been in place for almost forty years. There have been inquiries into, and reviews of this policy in the interim period which were cited by these submissions. The major concerns listed included:

- the degradation of services to the community and the deferral of infrastructure spending;
- most councils report operating deficits and that the sustainability of the sector as a whole is deteriorating;
- the absolving of NSW Councils from full responsibility for their own financial affairs;
- the undermining of democratic bedrocks in local government and thereby reducing local autonomy;
- that there is an asset maintenance gap, totalling \$1.6b over the last four years;
- unrealistic community expectations that rates should be contained indefinitely;
- that cuts in expenditure lead to mounting asset renewal and maintenance backlogs;
- that measures available to local government to step outside a rate cap are complex, time consuming and expensive for the industry.

To expand on the final item in the above list, there is a mechanism available to the councils in NSW, upon application to the Independent Pricing and Regulatory Tribunal (IPART), known as the Special Rate Variation (SRV) which can last for up to seven years. In order to qualify for such variation, several criteria must be met, specifically:

- *improving the financial position of the council, particularly where there may be financial sustainability issues;*
- *funding the development and/or maintenance of essential community infrastructure or to reduce backlogs for asset maintenance and renewal;*
- *funding new or enhanced services to meet growing demand in the community;*
- *funding projects of regional significance; and*
- *covering special or unique cost pressures that the council faces.⁵⁶*

Despite the availability of this mechanism, it appears that councils are reluctant to make the necessary applications. An October 2013 report into the operations of local councils in NSW stated:

47. (City of West Torrens, 2015, p. 2)
48. (City of Salisbury, 2015, pp. 3-4)
49. (City of Tea Tree Gully, 2015, pp. 4-5)
50. (City of Charles Sturt, 2015, p. 6)
51. (City of Norwood, Payneham & St Peters, 2015, p. 3)
52. (Mid Murray Council, 2015, p. 2)
53. (District Council of Lower Eyre Peninsula, 2015, p. 2)
54. (Local Government Association of South Australia, 2015, pp. 6-7)
55. (Australian Services Union (SA + NT Branch), 2015, pp. 5-6)
56. (Independent Pricing & Regulatory Tribunal, 2015)

In 2013 only 23 of 152 councils applied for SRVs. Yet figures for the 2011/12 financial year show that 83 councils would have needed to increase rates and annual charges by more than 5% to achieve a break-even operating result.⁵⁷

Similar issues were raised by the Cities of West Torrens,⁵⁸ Charles Sturt,⁵⁹ Norwood, Payneham & St Peters,⁶⁰ as well as the LGA⁶¹ and the Australian Services Union⁶² in regards to the short-lived rate capping policy which operated in Victoria in the 1990s.

In February 2016 the LGA submitted to the inquiry, on behalf of the ALGA, a report commissioned by the latter organisation titled *Rate Capping: A Review of State Imposed Impediments to Local Government Financial Sustainability*. This document listed the 'key disadvantages' of rate capping:

- *contrary to principles of democracy, accountability and independence of local government;*
- *there are already mechanisms in place under legislation (long term community and financial plans, annual reporting) to inform the community and provide transparency and accountability in budgeting;*
- *limits councils' ability to provide local services and respond to specific community needs;*
- *locally based decision making on revenue and expenditure priorities is more transparent;*
- *can reduce council accountability for rating decisions, allowing the regulator to be blamed for unpopular outcomes;*
- *increases infrastructure maintenance backlogs;*
- *restricts provision of new infrastructure required to meet growth needs;*
- *excessive rate increases unlikely without capping, and community can judge performance at election time;*
- *does not recognise different needs and requirements of individual councils or different cost pressures;*
- *does not recognise the impact on council revenue of externally imposed decisions of other spheres of government eg cost shifting, non-indexation of grants to cover population growth and inflation, additional regulatory requirements;*
- *administratively complex and costly in applying for exemptions;*
- *could result in higher uncapped user pays fees/charges which could result in pricing inequities;*

57. (Independent Local Government Review Panel, 2013, p. 42)

58. (City of West Torrens, 2015, p. 1)

59. (City of Charles Sturt, 2015, p. 7)

60. (City of Norwood, Payneham & St Peters, 2015, p. 4)

61. (Local Government Association of South Australia, 2015, pp. 7-8)

62. (Australian Services Union (SA + NT Branch), 2015, p. 5)

- *when introduced, takes no account of whether individual councils are rating at, above or below an appropriate level so locks in place historic rating patterns.*⁶³

1.2 Issues Raised in Support of Rate Capping.

The ALGA report also listed some 'key advantages' of rate capping:

- *protects rate payers from excessive rate rises;*
- *achieves the objective of constraining rate increases;*
- *processes for variations beyond the cap allow councils to increase rates to meet local needs and circumstances;*
- *provides an independent 'watchdog' function for ratepayers;*
- *prevents the misuse of monopoly power in the supply of some basic community services;*
- *helps to restrict council provision of non-core services and infrastructure that might be unsustainable;*
- *imposes financial discipline on councils;*
- *manages the risk of poor governance in the local government sector;*
- *forces councils to become more efficient;*
- *improves accountability as a result of public scrutiny of applications for increases beyond the cap.*⁶⁴

These points were broadly echoed in the submissions provided by the Cities of Victor Harbor⁶⁵ and Onkaparinga.⁶⁶

Professor Sansom suggested that if the South Australian government were to introduce rate capping then it should consider several options. Specifically:

...it should avoid 'blunt instrument' rate-capping and look instead to alternative approaches such as a stricter audit regime under the auspice of the Auditor-General (including performance audits)...

*...it should adopt the current NSW model. Rate-pegging in NSW is now closely linked to the Integrated Planning and Reporting framework, so councils are encouraged to think strategically and applications for 'special variations' can use the same documentation and community consultation process, thus minimising added costs... By contrast, the system now being introduced in Victoria appears likely to prove unnecessarily and excessively complex, heavy-handed and costly to administer.*⁶⁷

63. (Australian Local Government Association, 2015, pp. 20-21)

64. (Australlian Local Government Association, 2015, p. 20)

65. (City of Victor Harbor, 2015, p. 1)

66. (City of Onkaparinga, 2015, p. 7)

67. (Professor Graham Sansom, 2016, p. 2)

In support of the former of these points, he indicated that the recent Local Excellence Expert Panel, which was commissioned by the South Australian branch of the LGA to explore possible local government reform, and on which he served as a member, had made this specific recommendation in its final report,⁶⁸ which also described how this particular arrangement is already in operation in Queensland, Tasmania and Victoria.⁶⁹

Cr Martin Bray believes that the introduction of rate capping might force councils to address spending issues and force a more efficient approach to business. He also believes that the permanent staff of councils are too easily able to influence the outcomes of council processes.⁷⁰

Mr Paul Barker believes that just as Private Enterprise is pressured every day to control costs, improve productivity and reduce waste, then so too should Councils.⁷¹ He would like to see rate capping introduced and linked to the Local Government Price Index (LGPI).^{72,73} He also believes that there are too many councils in South Australia. As he put it:

Council Rates represent 3% of the total tax taken. The issue is the layers of bureaucracy and the duplication. We have 19 metropolitan councils, 19 ways of doing the same thing potentially 19 different ways.

His solution would be to reduce the number of metropolitan councils to three, specifically one each for the Northern, Central and Southern areas.

Mr Trevor Carbins brought to the Committee's attention the fact that his own rates had increased over the last ten years from \$805 to \$2005, representing an increase of 149 per cent. He feels that retired people such as himself have a limited ability to handle such increases and would like to see rates capped and linked to the CPI.⁷⁴

The Property Council of Australia provided a submission that offered qualified support for the introduction of rate capping. It was their contention that:

South Australian property owners are overtaxed and overgoverned compared to other jurisdictions - reform is desperately needed. Unfortunately, many Councils have failed to self-regulate in this area, often implementing rate increases that are way out of line with inflation or CPI.⁷⁵

68. (Local Excellence Expert Panel, 2013, p. 5)

69. (Local Excellence Expert Panel, 2013, p. 38)

70. (Cr Martin Bray, 2015, p. 1)

71. (Mr Paul Barker, 2015, p. 1)

72. (Local Government Association of South Australia, 2015(2))

73. The SA LGPI has increased by 58.4 per cent since its creation in 2000/01. As a direct comparison, the Adelaide CPI has increased by 46.2 per cent over the same period. These figures are available at: <http://www.adelaide.edu.au/saces/economy/lgpi/>, accessed 21-3-2016

74. (Mr Trevor Carbins, 2015, p. 2)

75. (Property Council of Australia, 2015, p. 6)

They also state that:

Notably, local Councils underutilise debt to finance infrastructure and rely too heavily upon rates revenue for capital works programs.⁷⁶

They described two alternative funding mechanisms by which local councils fund their future infrastructure development, namely tax increment financing (TIF) and Joint Property Development:

TIF involves forecasting the future growth in revenue from rates and taxes that result from infrastructure investment and borrowing funds against this projected income. This model is used in other jurisdictions, such as the United States and the United Kingdom.

Joint property development models typically involve partnering between Councils and private developers to create funding streams to offset the costs of providing infrastructure. This model allows Councils to capture value through the development of adjacent real estate by diverting some of the profits from the real estate into community infrastructure funding.⁷⁷

76. (Property Council of Australia, 2015, p. 5)

77. (Property Council of Australia, 2015, p. 5)

Chapter 2

Evidence Received – Oral Testimony

2.1 The South Australian Context

In its testimony before the committee the LGA stated⁷⁸ and later reiterated⁷⁹ the point that local government in South Australia collects “about 3 per cent” of the total tax revenue. This figure was later quoted by Mr Pearson representing DCLEP.⁸⁰ In written responses to questions taken on notice, the LGA confirmed this figure at 3.3 per cent,⁸¹ with total rate revenue raised in South Australia being \$1.410 billion in the 2013/14 financial year.⁸²

Mr Comrie, representing the LGA described the financial state of affairs faced by local governments in the recent past. He described how South Australia was the first state (to be followed by all the others) to conduct a financial sustainability inquiry.⁸³ As explained by Mr Comrie, this inquiry:

...showed then that local government long-run costs were in excess of revenue. Local government, compared with the other spheres of government, was very asset intensive, lots of infrastructure relative to income. Effectively, that infrastructure was wearing down at a rate in excess of the revenue that was available to renew and regenerate it.

Since that time, all states have put measures in place to help councils focus on the longer term—mandated long-term financial planning, mandated assets management planning, etc. South Australian councils as a result of those changes are now generating sufficient revenue, on average at least, to offset depreciation of infrastructure, so we are operating break even. That wasn't the case a decade ago.⁸⁴

He continued on to contrast this result with the New South Wales experience:

There is no doubt that rates have increased above CPI-type levels in South Australia, have increased more than they have in New South Wales, but you could also say that it needed to in order to sustain service levels from assets, and there has been a decline in service levels from assets in New South Wales.⁸⁵

78. (Committee Hansard, 2015, p. 2)

79. (Committee Hansard, 2015, p. 8)

80. (Committee Hansard, 2015, p. 41)

81. (Local Government Association of South Australia, 2015(3), p. 3)

82. (Local Government Association of South Australia, 2015(3), p. 8)

83. The inquiry (2005), commissioned by the LGA, was conducted at arm's length from the LGA by the Financial Sustainability Review Board, comprising: Bill Cossey (chair), Juliet Brown and Wayne Jackson. Details of the inquiry and subsequent activities can be found at: <https://www.lga.sa.gov.au/fsp>

84. (Committee Hansard, 2015, p. 4)

85. (Committee Hansard, 2015, p. 4)

When asked about the causes behind the previous state of affairs, Mr Comrie described the insidious nature of infrastructure deterioration:

...It will only become a problem when the asset actually deteriorates. Infrastructure long-lived declines gradually over time so you don't notice it. From one year to another, is there a lot of difference? No, it's only when there's an absolute failure that we've got a major problem.

Effectively, because it is long-lived, you can keep your head in the sand or you can get by in the short term. In the longer term there are consequences. So, people were not focusing on that long-term consequence. Changes to legislation, long-term financial planning and budgeting based on accrual accounting has helped people focus on those issues far more, and certainly the recommendations out of the financial sustainability inquiry were a key change in that, supported by the government and the parliament of the day.⁸⁶

Mayor Rosenberg of the City of Onkaparinga, described for the committee the process by which her council (the most populous in the state) sets its annual budget:

We start our rate process in December, the year before we set the rate, and we start with our elected members saying, 'What are the key drivers for the next budget?'

...We have a community plan of 20 years, we have a long-term financial plan of 10 years and we have a business plan, which is our budget and which is an annual thing. So we put them altogether and ask, 'What are the services that we want to provide in that following year?' So that's the start of the process.

The elected body also has an opportunity for about a two-month period to put in what we call budget bids so they can bring to the table the things that they have been hearing at the footy club or whatever where we haven't got that in the main plan, they can bring those extra things in. So they have an influence there as well.

We have probably about eight workshops during the lead-up to the budget where we dissect the budget into a range of things... Then we have a workshop where we talk about what's the appetite for a rate increase this year... Then we come up with a suggested range of rate increase that could provide some or all of the services we've determined over those eight workshops that we are going to provide.

The councillors then give an indication to staff, 'We want you to model that figure.' The staff will go away and come back with a figure with what the budget would like if we adopted that figure. Then we still have, I think it's three meetings after that, where the council can gradually change that...⁸⁷

⁸⁶. (Committee Hansard, 2015, p. 4)

⁸⁷. (Committee Hansard, 2015, p. 6)

Mayor Clyne from the City of Unley was the only senior council figure to appear before the committee to argue in support of rate capping. His motivation behind doing so, expressed at different times during his testimony was the failure of local government to explore different sources of revenue generation. Specifically:

In rounding off this point, just let me say that for me it is the failure to address the blatant need to diversify South Australian councils' sources of revenue that has made the sector have the highest rates in the nation, and why I support rate capping.⁸⁸

and

...I see rate capping as being a legitimate way, all politics out of it—and I have said this for a couple of years—of seeing the South Australian local government sector take a serious look at how it generates its income, diversifies its income stream, and hopefully generates more income that is not going to make the pensioner down the road have to pay more and more.⁸⁹

On this latter point, it was pointed out by several members of the Committee that there is nothing in the current Act to prevent councils from pursuing these alternative revenue streams, without the introduction of a rate cap to act as an incentive. When pushed on the question as to why councils have not, to date, pursued these alternatives, Mayor Clyne was unable to offer an explanation.⁹⁰ When the member for Colton suggested that simply raising rates was an easier option, Mayor Clyne disagreed. Specifically:

...what has been the incapacity, notwithstanding the talent and the expertise that exists and lies within local government, to do that anyway? I presume, although you haven't said it, is that it breeds a level of laziness—again, these are my words, not yours—to not go down that path because it's so easy to raise rates, and that's what we are seeing.

I wouldn't think that at all.⁹¹

2.2 Democratic Rights of Local Government

The independence of local government and the right of the residents to both choose and provide guidance to their local representatives at council level, was raised by several witnesses. Mayor Rosenberg, representing the LGA expressed it as follows:

...we believe local democracy in South Australia is working extremely well. We believe it is vital that that local democracy continues. We believe it is vital that our

88. (Committee Hansard, 2016, p. 84)

89. (Committee Hansard, 2016, p. 90)

90. (Committee Hansard, 2016, pp. 95-97)

91. (Committee Hansard, 2016, p. 97)

*local communities continue to have a say in their local budgets and the local services that are provided to them.*⁹²

and

*The second thing I would say is that, if we are in a position where another level of government determines what services a local council can provide, then it's a pointless issue having a locally elected democracy because we have no flexibility to respond to our community plan...*⁹³

Mayor Rosenberg re-emphasised her stance when appearing, at a later hearing, as Mayor of the City of Onkaparinga.⁹⁴

The City of Norwood, Payneham & St Peter's mayor, Mr Bria expressed his view in terms of local government's responsibilities towards financial affairs:

The deleterious consequences of rate capping in whatever form it is introduced will result in absolving local government of its responsibilities and of its own financial affairs. It will see a diminished rate and focus on long-term planning, and it will undermine democratic bedrocks of local voice and local choice and thereby reduce local autonomy and the right of each local government authority to chart its own course for the future...

*...if a council gets it wrong - if they are profligate instead of prudent - then, like any democratic form of government, the ballot box will reflect what the community thinks. The electorate, I believe, is the best instrument to measure good financial governance.*⁹⁵

Mr Pearson, CEO of DCLEP, expressed his opinion as follows:

*The District Council of Lower Eyre Peninsula contends that the democratically elected council, in consultation with its community, should make the decision in relation to the level of rates to be collected.*⁹⁶

A different perspective of the democratic issues was provided by Mr Bray who, although appearing as a private rate payer, has had his views informed by his time as an elected councillor with the City of Onkaparinga. He is of the opinion that councillors are too often influenced by the council permanent staff:

The councillors legally and in theory are, but in reality they have very little influence at all. A couple of examples: consistently at council meetings when questions are

92. (Committee Hansard, 2015, p. 2)

93. (Committee Hansard, 2015, p. 5)

94. (Committee Hansard, 2015, p. 27)

95. (Committee Hansard, 2015, p. 26)

96. (Committee Hansard, 2015, p. 41)

raised longstanding councillors will get up and say, 'Look, we just have to defer to staff. They're the experts,' end of argument...'⁹⁷

and

Democracy is important but, where you get at the governance, the elected member level, that necessary expertise, I really don't know the answer to that. One of the problems, though, in finding an answer is that we have now mandated elected member induction, which is an opportunity for the staff to inculcate in the new councillors the staff way of thinking about budgets, the necessity of rate rises to match what appear to be the needs of the organisation.⁹⁸

2.3 Asset Management and the Shifting of Responsibility to Future Generations

Mayor Rosenberg, on behalf of the LGA, expressed her concerns that rate capping would see a shift in the cost burden to future generations:

The second one is that rate capping carries some significant risks of pushing intergenerational costs onto those who come after us... I think that history shows pretty clearly in other jurisdictions of rate capping that there has been a cost transfer to other generations and there has definitely been a decline in services that have been provided to their communities, and the standard of those services has also decreased.⁹⁹

and

...We recognise that... as part of the act, every decision we make we have to take into account what's the financial implications for that into the future generations. We are very firm believers that if you just keep putting off maintaining or renewing your assets then you eventually hit a brick wall. Every asset will hit a brick wall and you haven't put aside the right things to then return that asset to the way that it needs to be. If you were to just simply just build something and then leave everything, sooner or later you will transfer all of those costs to the next generation when those things fail.¹⁰⁰

They recounted for the Committee the situation operating in South Australia in the early 2000s:

In that period around the early 2000s local government in South Australia recognised that we were underfunding our asset responsibilities, so through that period of time we have also been trying to catch up with our asset responsibilities. That issue about intergenerational equity was very much alive back in the early

97. (Committee Hansard, 2015, p. 18)

98. (Committee Hansard, 2015, p. 22)

99. (Committee Hansard, 2015, p. 2)

100. (Committee Hansard, 2015, p. 5)

2000s when we weren't spending what we were required to to maintain our assets.¹⁰¹

They also indicated that changes made at that time resulted in an improvement to local councils' ability to manage their infrastructure:

...Local government, compared with the other spheres of government, was very asset intensive, lots of infrastructure relative to income. Effectively, that infrastructure was wearing down at a rate in excess of the revenue that was available to renew and regenerate it.

Since that time, all states have put measures in place to help councils focus on the longer term—mandated long-term financial planning, mandated assets management planning, etc. South Australian councils as a result of those changes are now generating sufficient revenue, on average at least, to offset depreciation of infrastructure, so we are operating break even. That wasn't the case a decade ago.

Effectively, South Australian councils are generating enough capacity, broadly speaking, to offset infrastructure decline...¹⁰²

Similar points were made by those representing individual councils. Mayor Bria of the Norwood, Payneham & St Peters council stated:

We all know what happens when governments of any level do not maintain their infrastructure. You can keep the cost down, you can artificially stretch out the life of your assets, but eventually someone—and it is the taxpayers or, in the council's case, ratepayers—will have to pay.¹⁰³

and

...it remains to be seen what will happen in the future. Will that mean that we have to artificially stretch out the life of our assets so that we don't maintain them to the degree that we are now?

That has impacts on depreciation, that has impacts on backlogs and future ability for ratepayers. Someone is going to have to pay that eventually. I won't be in office when someone has to pay that, but I know where they'll be pointing the finger.¹⁰⁴

Mr Pearson from the District Council of the Lower Eyre Peninsula stated that in his opinion:

...a sustainable and well-functioning council has limited discretion in regard to its management of existing infrastructure. A well-researched asset and infrastructure management plan will set out the current replacement costs and life of the various categories of infrastructure and, as such, reveal the levels of depreciation to be

101. (Committee Hansard, 2015, p. 9)

102. (Committee Hansard, 2015, p. 4)

103. (Committee Hansard, 2015, p. 26)

104. (Committee Hansard, 2015, p. 30)

charged against the infrastructure. In addition, the council will know the intervention points in relation to maintenance which are required to maximise the life of infrastructure, an example being the point at which sealed roads should be resealed to prevent the incursion of moisture. So, in effect, council has a very clear idea of the rating levels required to most efficiently manage infrastructure.¹⁰⁵

He continued on to highlight the disparity between councils' revenue and the infrastructure they are required to maintain:

Given that local government manages 34 per cent of the nation's infrastructure and collects only 3 per cent of the national taxes, the capping of rates would put at risk the maintenance of significant community infrastructure.¹⁰⁶

Although he appeared before the Committee to speak on behalf of the introduction of rate capping, Mayor Clyne from the City of Unley acknowledges the shortcomings of a simple rate capping model based on the CPI index. Specifically:

I can see how, if a model of rate capping was to be based on CPI, you would very quickly have a problem when it comes to councils not being able to generate the income that they need to service the infrastructure demands of their communities... I wouldn't want to see any rate capping measure that was based on CPI.¹⁰⁷

2.4 The New South Wales Experience with Rate Pegging

Multiple witnesses made reference to the impact of rate pegging, as rate capping is known in New South Wales. The issues they raised reflect closely those raised in Chapter 1. A selection of comments follows.

From Mr Comrie of the Local Government Association:

Under a rate capping regime in New South Wales, councils have, there is no doubt... that councils there have not been [sic.] been spending enough on asset renewal, and they would say that the fact that they have had rate capping in place has been the major inhibitor.¹⁰⁸

From Mayor Bria representing the City of Norwood, Payneham & St Peters:

...are well evidenced in New South Wales, where the independent inquiry found that rate capping resulted in excessive cuts in expenditure leading to backlogs and unrealistic expectations by the community that rate increases will remain low indefinitely.¹⁰⁹

^{105.} (Committee Hansard, 2015, p. 40)

^{106.} (Committee Hansard, 2015, p. 41)

^{107.} (Committee Hansard, 2016, p. 95)

^{108.} (Committee Hansard, 2015, p. 4)

^{109.} (Committee Hansard, 2015, p. 27)

From Mr Barone representing the same council:

It's because of the infrastructure backlog. One of the big issues for local government is the maintenance of infrastructure... So I think infrastructure backlog is a significant issue in New South Wales and their financial sustainability because of that is causing them problems.¹¹⁰

From Mr Scales, secretary of the local branch of the Australian Services Union:

The report I referred to earlier found that rate pegging in New South Wales has generated among council constituents an expectation that services and infrastructure should be able to be provided without any commensurate increases to rates. This is simply impossible.

Rate capping would also certainly lead to the loss of vital services and infrastructure backlogs. This has been the experience in New South Wales. The risk in South Australia is even greater. South Australian councils are particularly reliant on rate income, having less access to their interstate counterparts to grants from other government sectors and interest income. Rates account for almost two-thirds of local government revenue in South Australia and an artificial limit on councils' capacity to gather income would be uniquely devastating.¹¹¹

He continued on to suggest a user pays system would likely result from the introduction of rate capping, and also to make comparison with the effects in the United Kingdom:

The New South Wales experience shows that user fees and charges would likely need to be implemented. This would put a burden of meeting the cost of these amenities and services squarely on those who can least afford it.¹¹²

A member of the community has to pay less, but once that happens all that results, as we have seen in Australia, but we also have seen abroad when similar attempts have happened in the UK, is that there is a backlog in infrastructure, the council can't deliver the same services it once delivered.¹¹³

Mr Gannon from the Property Council of Australia reminded the Committee of the reasons behind the introduction to rate pegging in New South Wales, and indicated the changes that his organisation is advocating there:

Learnings from New South Wales must be considered in terms of shaping a rate capping mechanism for South Australia: we need to look at the fact that rate capping was introduced in New South Wales back in the mid-1970s. So, between 1973 and 1976 rates had increased on average by 188 per cent, whereas wages increased by 75 per cent and inflation was at 56 per cent. The Property Council in

^{110.} (Committee Hansard, 2015, p. 33)

^{111.} (Committee Hansard, 2015, p. 50)

^{112.} (Committee Hansard, 2015, p. 51)

^{113.} (Committee Hansard, 2015, p. 51)

that state has noted that the rate capping policy has resulted in some councils deferring infrastructure investment. Having said that, we have called for changes to rate pegging as part of a wider reform package of the entire sector.

What we have called for in New South Wales is greater fiscal discipline and accountability of local government, compulsory infrastructure strategies with a forward capital expenditure program, council amalgamations and linking rate increases with a decrease in levies.¹¹⁴

2.4.1 Professor Graham Sansom

Of particular interest to the Committee concerning this specific subject was the evidence provided by Professor Graham Sansom, who had previously chaired an extensive review into local government in New South Wales, of which rate pegging was a major component. He spoke at length about many aspects of the New South Wales rate pegging regime. Professor Sansom also served on the Local Excellence Expert Panel, chaired by The Hon Greg Crafter AO, and tasked by the South Australian branch of the LGA to explore possible local government reform. Specific aspects of this body's report are discussed in a subsequent section.

He reiterated strongly a point previously made in his written submission concerning the position of local government within the broader public sector:

I wanted to highlight the really self-evident fact that is often forgotten in these discussions; that is, local government is part of the state public sector. It's not something separate that's floating off the coast somewhere, it is part of the state public sector and rates are part of the overall revenue available for the state public sector. When governments contemplate something like rate capping, it is absolutely vital that that simple fact be taken into account.¹¹⁵

He also described the broader economic consequences of poor financial management by local councils:

...That poor financial management in particular in New South Wales extended into failure to adequately maintain and renew infrastructure. The consequence of that for the state government down the track was that far from rate capping being a free hit, a nice thing to do, it wound up costing the state government a lot of money because it had to provide funds for a loan subsidy scheme to dig a number of councils out of the hole they had created for themselves.¹¹⁶

^{114.} (Committee Hansard, 2015, p. 67)

^{115.} (Committee Hansard, 2016, p. 81)

^{116.} (Committee Hansard, 2016, p. 70)

The question of the infrastructure backlog in New South Wales, estimated at some \$7.2 – 7.4 billion in his Panel's report¹¹⁷ received a wide hearing. He described the numbers as being 'absolutely horrific' and continued:

...Even more horrific was the fact that we had, on numbers provided for us, I think it was more than 80 New South Wales councils, out of 152, so more than half, were running substantial operating deficits, operating deficits that could only be recovered with rate increases of 10, 20 per cent or more.¹¹⁸

When asked if there was evidence indicating the backlog to be worse in New South Wales than in other jurisdictions, he replied:

I am pretty confident... that we did have evidence that it was worse than in some other jurisdictions.¹¹⁹

He went on to suggest that the political ramifications of seeking rate increases above the published cap were a significant factor, and then reiterated his earlier point:

The impact was not directly the existence of rate pegging but more the political message that asking for more was not a good thing to do if you wanted to get re-elected at the next council election. I am pretty confident... that the relative extent of the backlog was more severe in New South Wales.¹²⁰

He finished his point by stating:

What I can say is that rate pegging had become a barrier to dealing with that problem, and there is no doubt about that. The reluctance of councils to go through the rate pegging process was definitely a barrier to raising the additional revenue that they required.¹²¹

He did indicate, however, that the situation in New South Wales was improving, largely due to the cooperative attitude of IPART. As he explained:

That is why I keep saying that the improvements to the New South Wales rate pegging system over the last few years have been such a boon because of the attitude that IPART is now taking, of encouraging councils to do proper financial planning and then go to it and say, 'Look, we have done our sums, we need this money', and knowing that they will get a good hearing from IPART. As I said, in I think 35 out of 36 cases in recent years they will get the increase they need.¹²²

He gave a personal example from his experiences with his own local council that indicate the better aspects of the NSW system:

^{117.} (Independent Local Government Review Panel, 2013, p. 49)

^{118.} (Committee Hansard, 2016, p. 74)

^{119.} (Committee Hansard, 2016, p. 78)

^{120.} (Committee Hansard, 2016, p. 79)

^{121.} (Committee Hansard, 2016, p. 79)

^{122.} (Committee Hansard, 2016, p. 79)

*The council gave residents three different options for levels of rate increase related to levels of service and infrastructure, and I think most of the community actually went for the most expensive rate increase option. One of the benefits, if you like, of rate pegging in New South Wales is we have a huge amount of evidence on what communities are willing to pay for. Communities actually will pay for specific improvements to infrastructure and services...*¹²³

In relation to options available to the South Australian government for possible rate capping policies, Professor Sansom described three scenarios. The first of these involved a greater role for the Auditor-General and the provision of a reserve power for the Minister:

...introducing the Auditor-General into the audit process, and thereby providing a stream of consistent data across councils, you can have a very effective benchmarking and scrutiny regime around rates. It's not a cap, but all the evidence suggests that if there is good benchmarking and good scrutiny very few councils are going to go berserk... you can give the minister a reserve power to rein in individual councils that do go berserk, where rate increases are occurring that clearly are not justified based on the financial data.

The second option is where we have now got to in New South Wales, where, after 30-odd years of it really being a bit of a dog's breakfast, we now have quite a good system run through the Independent Pricing and Regulatory Tribunal, where councils undertake their normal medium to long-term financial planning and if that financial planning reveals a need for an above-cap rate increase, they go to the tribunal...

*The third approach—which I would strongly urge this parliament and the government of South Australia to avoid at all costs—is the way the Victorians have just gone... the system they are introducing, which involves a cap, annual applications or, possibly, down the track two or three or four year applications to the Essential Services Commission, a continuing right of the minister to override things and a very complicated submission process by all accounts, is going to be expensive and it is going to be cumbersome. I suspect that over a period of years, as happened in New South Wales, it will come back to bite people. I think it is just unnecessary and unfortunate that Victoria has decided to go down that path.*¹²⁴

^{123.} (Committee Hansard, 2016, p. 76)

^{124.} (Committee Hansard, 2016, p. 71)

2.5 Council Responses to the Introduction of Rate Capping

Mayor Rosenberg, when representing the LGA, informed the Committee that she would indicate clearly that responsibility for any reduction in services lay elsewhere:

From my personal perspective I think our local government area would probably put on every rates notice, 'These are the things we are not building this year thanks to rate capping.' I think that's the sort of thing we would do; and with no question in my mind, politically it would be a short-term gain for a long-term pain, in my view.¹²⁵

She reiterated this stance when appearing for a second time, as Mayor of the City of Onkaparinga:

Our council will definitely make sure that our community is absolutely aware of why services are cut or projects are not being done. We will be absolutely clear about that. I will be out there more than happy to fly the flag, because at the moment local government takes the blame for a lot of things and we wear it...

...That's the flexibility I'm talking about. That's the flexibility that we will lose, and we will lose it immediately rate capping comes in, and we will make sure that every resident who comes as a deputation to my desk knows exactly why.¹²⁶

Ms Jessep from the City of Victor Harbor expressed her concern that the existing budget process would be abandoned and that councils would default to a situation where the maximum allowable rate increase was imposed:

This then leads to the concern, from our point of view, which is: if rate capping on the total annual revenue increase comes in, we may see council rates automatically then be driven by raising the amount every year by the maximum they can raise, instead of the current system, which is driven by a very consultative and engaged process with our communities to make sure we are delivering what the community is telling us they need and want, and then with all the checks and balances we have through our budget process.¹²⁷

Mr Scales indicated that his union would actively campaign against the introduction of rate capping in South Australia:

If it's not clear, if rate capping were to progress in South Australia, the ASU, on behalf of its members, would stand firmly against it and campaign against it.¹²⁸

¹²⁵. (Committee Hansard, 2015, p. 5)

¹²⁶. (Committee Hansard, 2015, p. 31)

¹²⁷. (Committee Hansard, 2015, p. 39)

¹²⁸. (Committee Hansard, 2015, p. 51)

2.6 The Crafter Report

In 2013 the local division of the LGA appointed an expert panel to look into local government reform. This panel was chaired by The Hon Greg Crafter AO, who appeared before the committee to discuss aspects of the panel's report and specific recommendations. Mr Crafter expressed his opinion on the scale of local government in South Australia:

Unfortunately, I think that in this state we have far too many councils as they are currently configured. I think there needs to be local representation, but I think the configuration is making it much more difficult to achieve the outcomes that the community might expect of local government.¹²⁹

He gave a specific example of this configuration issue:

There are 58,000 people who live on Eyre Peninsula, for example, and there are 11 councils. That includes Whyalla of 24,000 people, Port Lincoln and Ceduna. So there is a large number of councils... We saw that local government had that huge potential, but there is little will to embrace a different way of doing business.¹³⁰

It was explained to the Committee that in comparison with other states, South Australian councils have a lower proportion of goods and services revenue, but a higher proportion of rate revenue. Some reasons for this were highlighted:

In part, it's because South Australian councils, unlike Queensland councils and non-metropolitan New South Wales councils, don't run water supply and sewerage businesses, which are a very important component of the gross revenue of councils in those areas. I believe also, generally speaking, they are less involved in commercial enterprises than in some other states.

Children's services, and so on, selling those products.¹³¹

The reason for the Panel's recommendation that the Auditor-General oversee local government audits was explained:

If the Auditor-General is playing that oversight role, you're going to get good consistent standardised information. You will be able better to benchmark what different councils are doing. You will be able to spot whether a council is in a much more advantageous position, and maybe consider appropriate action. However, without good, consistent data across the sector it is very difficult to impose the level of accountability and transparency that is fundamental to this discussion.¹³²

Mr Crafter was asked if he had any suggestions as to how the capacity of local government could be increased? In reply he stated that, in regards to compulsory voting:

^{129.} (Committee Hansard, 2016, p. 71)

^{130.} (Committee Hansard, 2016, pp. 71-72)

^{131.} (Committee Hansard, 2016, p. 73)

^{132.} (Committee Hansard, 2016, p. 77)

...we thought local government should be on a parity with state and federal government in terms of its constituency. We thought that it lacked the authority in its relationship with others... because of its constituent base and very low turnout at elections, it lacked that authority, so we brought down the recommendation that we did to have a parity with state and commonwealth voting, but it was certainly a very strongly debated issue.¹³³

He discussed, with concern, the ease with which some people can get elected to local council:

You can get elected quite easily in local government. At times the turnout I think in South Australia is less than 30 per cent in metropolitan Adelaide and it's over 30 per cent in non metropolitan South Australia, so it's on the border of not being safe. In some areas you can get elected on just a handful of votes—your family and friends can get you elected in some of these places and that's not good for democracy.¹³⁴

The role of mayors was discussed:

It says nothing about the mayor. The mayor has been elected by the community to be the leader of that community, and yet in the crucial area of financial management nothing is mentioned; the mayor is just like any other councillor.

In Queensland, the mayors, who are all directly elected, have to present the budget. So the mayor actually has to take some personal responsibility for saying to the community, 'This is a sound budget for our area,' and to explain why. It's exactly analogous to a state treasurer or premier standing up and doing that. I think if we had that kind of arrangement in local government you might find the elected arm of the council not just accepting the easy option but taking a more rigorous look at it.¹³⁵

In his concluding remarks, Mr Crafter mentioned his Panel's recommendation that a local government Commission be established:

...we did believe that there was a need for a lot more strategic planning and economic planning between commonwealth, state and local government and a vehicle to bring those three together, particularly in a state like South Australia where infrastructure is such a major issue...

The integration of state and local government is of fundamental importance... So the cooperation and accountability structures that we think are not there—and we actually made a recommendation about a local government commission structure which would be linked to the South Australian parliament. Local government is a creature of the state, so there was a formal structure in terms of regulation making

¹³³. (Committee Hansard, 2016, p. 79)

¹³⁴. (Committee Hansard, 2016, p. 80)

¹³⁵. (Committee Hansard, 2016, pp. 80-81)

*powers and infrastructure, provision of economic planning, strategic planning and the development of the state.*¹³⁶

2.6.1 The Auditor-General of South Australia

The Presiding Member, Mr Odenwalder MP, took the opportunity of putting several of the issues raised by Prof Sansom and Mr Crafter to the Auditor-General Mr Andrew Richardson, when he appeared before the Committee on unrelated business. Mr Richardson indicated that, while he had the authority to investigate councils in relation to matters arising from the ICAC commissioner, his department did not conduct individual audits. Specifically:

*...So, we're not the auditor of individual councils, they all have their own arrangements, but we do have a capacity and authority to conduct examinations.*¹³⁷

He continued on to discuss some of the practical aspects of such an arrangement, indicating that the actual auditing would likely be conducted by the same people, before concluding by questioning its overall value:

...For us to even get ourselves properly familiarised with how the sector operates is quite a time consuming process...

For the most part, in the metropolitan area in particular, you have very reputable firms, so the practical reality of it might be that, if the mandate was handed broadly to the Auditor-General, they would, for practical purposes, essentially be obliged to contract the work out back to the firms who were already doing that, so there has got to be a real value in adding that relationship into the scheme of things...

*...At the moment, I would say it's not obvious to me that there is a great advantage in the Auditor-General being the auditor.*¹³⁸

^{136.} (Committee Hansard, 2016, pp. 81-82)

^{137.} (Committee Hansard, 2016(2), p. 21)

^{138.} (Committee Hansard, 2016(2), p. 21)

Chapter 3

Rate Capping in Other Jurisdictions

3.1 New South Wales

The experiences in New South Wales with rate pegging have been discussed, in varying levels of detail, in the preceding sections of this report. However, a brief recapitulation is warranted. Rate pegging was introduced by the Wran government in 1977. In the years 1973 to 1976, rates had increased by an average of almost 200 per cent, whereas wages had increased by an average of 75 per cent. Over the same period the inflation figure was 56 per cent.¹³⁹

Under the New South Wales system councils are able to apply to IPART for a special rate variation to the rate peg, which can last up to seven years. As stated in multiple submissions to the inquiry, councils appear reluctant to make this application, even though, as indicated in Professor Sansom's evidence, very few such applications are rejected. The Independent Local Government Review Panel, of which Professor Sansom was chair, stated in its final report:

The Panel's conclusion is that, whilst there is certainly a case for improving efficiency and keeping rate increases to affordable levels, the rate-pegging system in its present form impacts adversely on sound financial management. It creates unwarranted political difficulties for councils that really can and should raise rates above the peg to meet genuine expenditure needs and ensure their long-term sustainability. The Panel can find no evidence from experience in other states, or from the pattern and content of submissions for Special Rate Variations, to suggest that councils would subject their ratepayers to grossly excessive or unreasonable imposts if rate-pegging were relaxed.¹⁴⁰

Since 2010, the determination and announcement of the rate peg has been the responsibility of IPART. Table 1 contains the rate peg values over the period 2010/11 - 2016/17.

Table 1: NSW rate peg values for the period 2010/11 – 2016/17, as set by IPART.¹⁴¹

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
2.6%	2.8%	3.6%	3.4%	2.3%	2.4%	1.8%

¹³⁹. (Dollery, 2010, p. 57)

¹⁴⁰. (Independent Local Government Review Panel, 2013, p. 42)

¹⁴¹. Available at: <http://www.ipart.nsw.gov.au/Home>, accessed 29-6-2016

3.2 Victoria

Shortly after winning the November 2014 state election, the Andrews government announced an inquiry by the Essential Services Commission into local government rate capping. The final report was released in late 2015 and contained a total of eighteen recommendations.¹⁴²

Among these was the recommendation that there should be one rate cap and that it should apply equally to all 79 local councils in Victoria.¹⁴³ The new system is to be known as the *Fair Go Rates System*.

The Commission recommended that the annual rate cap should be a weighted combination of both the Consumer Price Index and Wage Price Index, as determined using the following equation:¹⁴⁴

$$\begin{aligned} \text{Annual Rate Cap} &= (0.6 \times \text{rate of increase in CPI}) \\ &+ (0.4 \times \text{rate of increase in WPI}) \\ &- (\text{efficiency factor}) \end{aligned}$$

The efficiency factor is to be set initially at zero, but will increase in annual increments of 0.05 per cent.

The report also outlined the process by which variations to the proposed rate cap may be sought by councils. The Commission recommended that the variation framework should not specify individual events that would qualify for a variation.¹⁴⁵ The Commission further recommended that the following five matters be specifically addressed in each application:

- *the reason(s) for the proposed rate increase greater than the cap*
- *how the application takes account of ratepayers' and communities' views*
- *how the outcomes being pursued in the variation reflect the efficient use of council resources*
- *what consideration has been given to reprioritising proposed expenditures and pursuing alternative funding options, and*
- *that the assumptions and proposals in the application are consistent with those in the council's long-term strategic planning and financial management instruments.*¹⁴⁶

The report proposes that only variations covering a single year be approved in the framework's first year of implementation. Subsequently, variations covering up to four years will be possible.¹⁴⁷ The recommended timelines for the variation process are outlined below, for the 2016-17 financial year.¹⁴⁸

^{142.} (Essential Services Commission, 2015)

^{143.} (Essential Services Commission, 2015, p. 8)

^{144.} (Essential Services Commission, 2015, p. 29)

^{145.} (Essential Services Commission, 2015, p. 45)

^{146.} (Essential Services Commission, 2015, p. 52)

^{147.} (Essential Services Commission, 2015, p. 112)

^{148.} (Essential Services Commission, 2015, p. 107)

<i>ESC announces cap</i>	<i>December 2015</i>
<i>Councils notify ESC of intent to seek a variation</i>	<i>End January 2016</i>
<i>Council applies for a variation</i>	<i>From 1 February 2016</i>
<i>Last date for submission of application</i>	<i>End March 2016</i>
<i>ESC notifies councils of decisions</i>	<i>Within 2 months of receipt</i>
<i>Councils formally adopt budget</i>	<i>June 2016</i>

The Commission also recommended that it publish annual reports detailing how well councils have adhered to the cap and approved variations, as well as a report outlining the overall outcome of the new policy for ratepayers and communities.¹⁴⁹

In October 2015, the Victorian Government released its response to the Essential Services Commission report. While accepting almost all of the report's recommendations, it chose not to accept two, specifically those numbered 1 and 12. In regards to the former, which recommended that there be one rate cap that should apply equally to all councils, the Government response stated:

Although the government notes the difficulties in identifying the factors for applying varied caps that the ESC has highlighted, the government is of the view that sufficient information may be available from analyses undertaken by the Auditor-General and other authorities to form the basis for adopting varied caps.

Allowing the Minister to adopt different caps has the potential to improve the efficiency of the system and help to minimise costs that councils facing ongoing structural and circumstantial difficulties would otherwise have to incur in applying for higher caps through the variation process.¹⁵⁰

In regards to the latter, which recommended the timeline for announcements shown above, the Government response indicated that while it accepted in principle the timeline, it would not accept the proposal that the ESC announce the cap. Rather their response indicated that this task should fall to the Minister.¹⁵¹

In December 2015, the Commission announced that the initial cap, to operate from the 2016-17 financial year would be set at 2.5 per cent.¹⁵²

In June 2016, the Environment and Planning Committee released its second report into the operation of the new policy, set to commence in July 2016. This report contained a total of seven recommendations, mainly designed to simplify the rate cap variation application procedure.¹⁵³ The Committee Chair, the Hon David Davis MLC, wrote in his foreword that:

...One council put the cost of preparing and submitting their application for a rate cap variation at \$250,000. The Committee finds in this Report that where councils have a reasonable case for seeking a rate increase above the cap they should not

^{149.} (Essential Services Commission, 2015, pp. 93, 101)

^{150.} (Victoria State Government, 2015, p. 3)

^{151.} (Victoria State Government, 2015, p. 10)

^{152.} (Natalie Hutchins MP, 2015)

^{153.} (Parliament of Victoria, Environment and Planning Committee, 2015, pp. 31-32)

*be prevented from doing so simply because the ESC has a costly and overly onerous administrative regime.*¹⁵⁴

One other recommendation was that the rate cap for the forthcoming year should be announced earlier than December.¹⁵⁵

The Municipal Association of Victoria has published the average annual rate increase across all of Victoria's 79 local councils. These values, for the period 2010/11 – 2015/16 are collected in Table 2.

Table 2: Average rate increases in Victoria, in both percentage and dollar terms, for the period 2010/11 – 2016/17, as published by the MAV.^{156,157}

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
6.1%	5.9%	5.0%	4.8%	4.23%	3.83%	2.5%
\$79	\$82	\$75	\$76	\$70	\$67	--

3.3 South Australia

In late 1995, the state government introduced provisions that limited the increases in rate revenue permitted by councils for the 1997-98 and 1998-99 financial years.¹⁵⁸ This one off measure was part of the government's stated objective of encouraging, on a voluntary basis, amalgamations between neighbouring councils. The net effect was a reduction in the total number of councils from 118 to 68.

The LGA provided the Committee, upon request, with their most recent residential rate increase data for South Australian Councils. These are displayed in Table 3. Full data for all 68 councils was not available for all years. A more detailed explanation of the acquisition of these figures can be found in Chapter 4, in relation to Recommendation 3.

Table 3: Average residential rate increases in South Australia, for the period 2011/12 – 2014/15, as provided by the LGA.

Year	2011/12	2012/13	2013/14	2014/15
Average increase	7.0%	5.3%	5.2%	4.7%
No. respondents	54	56	54	60

154. (Parliament of Victoria, Environment and Planning Committee, 2015, p. vii)

155. (Parliament of Victoria, Environment and Planning Committee, 2015, p. 29)

156. Available at: <http://www.mav.asn.au/about-local-government/local-government-finance/Pages/more-rates-packages.aspx>, accessed 27-6-2016

157. The value for 2016/17 has been capped at 2.5% as part of the newly established *Fair Go Rates System*

158. (Australian Local Government Association, 2015, p. 11)

3.4 Northern Territory

In 2007, after council amalgamations a three year cap on rates was introduced. A subsequent review into council sustainability declared:

Upon amalgamation, the eight largest Councils inherited roads, infrastructure assets and plant and equipment that were in poor condition or beyond useful life. There have been insufficient funds to repair, maintain, upgrade or replace assets. As a result, there is a significant backlog of infrastructure investment...

The Councils are unable to derive a level of own source revenue. The limited number of rateable properties within the Council areas combined with the application of legislated conditional rating has resulted in an inequitable application of rates and user fees making the Councils overly reliant on grant funding.¹⁵⁹

Furthermore, councils in the Northern Territory are restricted to some degree in their ability to collect rate revenue by a system known as 'conditional rating'. Under the NT *Local Government Act* (section 142) land which is held either under a pastoral lease, or is occupied under a mining tenement is only considered rateable after a specific rating proposal has been approved by the Minister.¹⁶⁰ An example highlighting the inequity of this system was provided by the ALGA:

As an example, data provided by the Roper Gulf Regional Council shows the Macarthur River Mine is levied some \$17,800 annually in rates as a result of this restriction. A similar sized mine (440 workers) in Queensland, where most councils use employment numbers as part of their categorisation, would have been levied at least \$500,000.¹⁶¹

3.5 The United Kingdom

In 1984 the Thatcher Conservative Government enacted legislation allowing for a cap to be imposed on local authorities it deemed to be increasing their rate revenue in an unjustified manner. In response a total of 15 local authorities refused to set a budget for the 1985/86 financial year, in direct breach of the new legislation. However, their actions failed to change government policy and all of the dissenting bodies eventually relented. This action has become known colloquially as the 'Rate Capping Rebellion.' The Government's powers to restrict councils' budget setting remain in place.¹⁶²

More recently, the Cameron led Coalition Government offered councils a cash grant if they agreed to freeze their council tax rates. The grant, in most cases amounted to approximately 2.5% of the preceding year's revenue total. From 2013, any council wishing to raise its rates above their relevant limit would be required to hold a referendum among its constituents. The referendum result would

^{159.} (Deloitte, 2012, p. 11)

^{160.} (Local Government Association of the Northern Territory, 2016)

^{161.} (Australian Local Government Association, 2015, p. 12)

^{162.} Available at: https://en.wikipedia.org/wiki/Rate-capping_rebellion, accessed 1-9-2015

be binding on all parties. To date no council has held such a referendum. As of 2015/16, the policy has seen five successive freezes amounting to a total grant spend of approximately £5 billion.¹⁶³

3.6 The United States

Several states have instituted a Taxpayer Bill of Rights (TABOR) beginning with Colorado in 1992. Under this system, increases in overall state tax revenue must be tied to inflation and population increases; larger increases are only permitted following a referendum. In Colorado, the applicable formula is:

$$\text{Limit} = \begin{array}{l} \text{previous year's base} \\ \times (\text{annual change in inflation plus population growth}) \\ + \text{voter-approved revenue changes.} \end{array}$$

A subsequent amendment, known as Referendum C, was passed in Colorado in 2005 allowing the state to retain and spend revenue raised above the original TABOR limit base, with a new cap being put in place. Any funds raised in excess of this new cap must be refunded to the taxpayers.¹⁶⁴

¹⁶³. Available at: <https://www.gov.uk/government/collections/council-tax-freeze-scheme>, accessed 27-6-2016

¹⁶⁴. Available at: <https://www.colorado.gov/pacific/cga-legislativecouncil/tabor>, accessed 29-6-2016

Chapter 4

Recommendations

Recommendation 1

Local Councils retain full authority to set their own rates and that no rate cap be introduced.

The vast majority of evidence received by the Committee in the conduct of this inquiry was opposed to the introduction of an external rate cap. This sentiment applied to both written submissions and verbal testimony. A number of issues were raised on multiple occasions (Section 1.1) in opposition to such a policy. These included:

- the imposition of such a policy would erode the principles of democracy that allow a community to be governed by the people of its choice;
- rate capping would restrict councils' budgetary flexibility to address long-term community needs;
- maintenance of infrastructure and other essential assets would suffer. Many examples of the current backlog in New South Wales - estimated to be in excess of \$7 billion – were given;
- rate caps tend to be blunt instruments, and insufficient consideration is given to the different needs and requirements of individual councils;
- rate caps would likely result in council attempts to recoup lost rate revenue by the increase of current and introduction of new user pays schemes;
- provisions allowing individual councils to apply for increase above a mandated cap tend to be cumbersome and overly bureaucratic. Again, many examples were given of New South Wales councils' reluctance to make applications to IPART, despite their seeming willingness to approve such applications in recent years.

A small minority of evidence was received listing the benefits of a rate capping policy. Some of the benefits listed (Section 1.2) included:

- a rate cap would protect rate payers from excessive rate rises;
- a cap would impose financial discipline on councils and force them to become more efficient.

The Committee recommends that the *status quo* be maintained, and that no external rate cap mechanism be introduced at this time.

Recommendation 2

Local Councils continue to set rates after full consultation with their communities.

Sections 123(3) and (4) of the *Local Government Act 1999* require councils to consult with their community on the proposed annual business plan and budget.¹⁶⁵ However, as pointed out by Mr Burgess, Mayor of the Mid Murray Council and President of the LGA, even with this publicity the community response can be disappointing:

*We go out to consultation with our business plan and our budget and seek community support. In some years, we will get feedback. This year, we got zero, but it was heavily publicised and put out there so people could access it without any great effort. It wasn't just hidden in one newspaper: we spread it across our 6,000 square kilometres through our three offices and through our community newspapers.*¹⁶⁶

Mayor Rosenberg from the City of Onkaparinga expressed her opinion about the failings of the current system:

*Frankly, I don't think the public meeting works, and we have done a whole lot of stuff where we go out with iPads and we go into the shopping centres and ask, 'What do you think about these things?' It's very hard. Good consultation is very hard, so we are always looking for that...*¹⁶⁷

She continued on to describe the approaches her council has adopted to gauge community response:

*We have about 700 people on an EPanel, so we go out to them and survey them. We also use like a cafe, where people can just walk in during a day and make comment about what is proposed on the budget. We use our youth committee, and we get our youth committee to come in, and we have a group which we call Leadership Onkaparinga, and they come in as well and we workshop with them. They are relatively informed people. What we want is really informed people who can then really feed back something to us. The citizen jury might be the way to do that.*¹⁶⁸

Professor Sansom described, from the New South Wales perspective, the benefits of proper community consultation:

Over the past three years, since more rigorous financial management has been required, nearly every increase request has been granted because they have been shown to be justified, and there has been adequate community consultations so

165. Available at: http://www.austlii.edu.au/au/legis/sa/consol_act/lga1999182/s123.html

166. (Committee Hansard, 2015, p. 42)

167. (Committee Hansard, 2015, p. 6)

168. (Committee Hansard, 2015, pp. 6-7)

that people know why this increase is occurring and the facts demonstrate that it is a reasonable thing to do.¹⁶⁹

In the modern electronic age, the requirement that notice regarding the annual business plan and budget be published (only) in a local newspaper is limiting. As increasing numbers of people are conducting both their business and wider aspects of their life online, greater use could be made of this technology to engage the wider community in regards to local government activity. The preparation and distribution of documents such as e-newsletters could be a good starting point. Another especially useful approach could be a greater utilization of social networking sites.

Recommendation 3

Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the *Public Finance and Audit Act 1987*.

Recommendation 4

Councils be required to publish, on an annual basis, these audits.

The Committee, during the conduct of this inquiry, has both observed and experienced the impact of a lack of properly collected data. After their appearance before the Committee on 28 August, the LGA took on notice several questions. One of these was a request to provide the inquiry with the details of the last five years' residential rates increases for each of the state's local governments. In their response (section 3.3), they were only able to provide the full data for 43 (out of a total of 68) councils.¹⁷⁰ This was a result of them having to acquire this information by email request to each council, of whom only 43 provided the requested information in full. As put in the LGA's written response:

Not only is the data incomplete, it is also inconsistent between Councils, because:

- *under section 146 of the Local Government Act 1999 Councils may impose a service charge for specified services, including waste collection and disposal. While some Councils integrate this expense into their general rate revenue others impose a separate service charge which is not calculated as part of residential rates.*
- *this data is collected through self-reporting. Some Councils have included mandatory and discretionary rebates in their data while others have not.¹⁷¹*

The Committee considers this lack of standardised data collection to be totally unsatisfactory, and an impediment to the dialogue necessary for a properly informed consideration of the rating question.

¹⁶⁹. (Committee Hansard, 2016, p. 71)

¹⁷⁰. (Local Government Association of South Australia, 2015(4), pp. 3-4)

¹⁷¹. (Local Government Association of South Australia, 2015(4), p. 2)

As put by Mr Crafter (section 2.6): *"without good, consistent data across the sector it is very difficult to impose the level of accountability and transparency that is fundamental to this discussion."*¹⁷²

Mr Crafter is of the further opinion, as is Professor Sansom (section 2.4.1) that the auditing role should fall under the auspices of the Auditor-General. Implementing this change would bring South Australia into the majority of Australian States; Queensland, Victoria and Tasmania currently employ this standard of oversight. Mr Crafter believes that placing these audits under the aegis of the Auditor-General would add *"to the legitimacy and autonomy of Local Government by making it subject to the same scrutiny and accountability to both the community and the Parliament as other spheres."*¹⁷³

The South Australian Auditor-General, Mr Richardson expressed doubts (section 2.6.1) as to the advantages such an arrangement would bring. From a practical standpoint, he believes *"...if the mandate was handed broadly to the Auditor-General, they would, for practical purposes, essentially be obliged to contract the work out back to the firms who were already doing that..."*¹⁷⁴ However, this arrangement was anticipated and specifically addressed by Mr Crafter in his 2013 report:

*Most of the work is done by contractors but the Auditor-General can ensure a consistency of approach and high standard of reporting.*¹⁷⁵

Section 36 of the *Public Finance and Audit Act 1987* describes the preparation and delivery of the Auditor-General's report to the South Australian Parliament.¹⁷⁶ The result of the expanded council auditing process would therefore be included in the Auditor-General's report. However, the Committee notes that it is perhaps unreasonable to expect members of the public to trawl through documents such as the Auditor-General's report in order to locate information that might relate to their own local council. Therefore, it recommends that each council publish, on an annual basis, the results of these audits. Such publication would go hand in hand with the public consultation phase already required of councils in the budget setting process, as described in Recommendation 2 (above).

The Committee recognises that some councils in South Australia are already performing this task, and performing it very well. For example, the City of Norwood Payneham and St Peters publishes in the budget edition of its community newsletter the details of its income and expenditure. This information is presented in an easy to follow graphical manner.¹⁷⁷ Evidence from multiple submissions and witnesses indicated that a properly informed council electorate is more willing to accept rate increases, especially if these exceed the published CPI figure for the jurisdiction in question.

172. (Committee Hansard, 2016, p. 77)

173. (Local Excellence Expert Panel, 2013, p. 38)

174. (Committee Hansard, 2016(2), p. 21)

175. (Local Excellence Expert Panel, 2013, p. 38)

176. Available at: http://www.austlii.edu.au/au/legis/sa/consol_act/pfaaa1987189/s36.html

177. (City of Norwood Payneham & St Peters, 2015, p. 16)

Appendix 1

Inquiry Terms of Reference

In May 2015, the Economic and Finance Committee of the South Australian House of Assembly, on its own motion, resolved to inquire into and report on:

1. The operation of rate capping elsewhere in Australia given the commonality of local government system in place, including:
 - the period the policy has operated for;
 - conditions attached to the policy;
 - any opportunities for increases above the regulated increase and details of conditions required to submit such a request;
2. Peer review of the outcomes of rate capping policy.
3. Information on other nations in which a local government rate capping policy operates.
4. Any other relevant matter.

Appendix 2

The Economic and Finance Committee

Membership

The Economic and Finance Committee (the Committee) is established under section 4 of the *Parliamentary Committees Act 1991*. Section 5 states that the membership of the Committee is to comprise seven members of the House of Assembly. A Minister of the Crown is not eligible for appointment to the Committee.

The seventh Economic and Finance Committee was appointed by the House of Assembly on May 6, 2014 following the State Election, held 20 March 2014. The following members were appointed to the Committee: Mr Lee Odenwalder MP; the Hon Paul Caica MP; the Hon Iain Evans MP; Mr Martin Hamilton-Smith MP; Ms Katrine Hildyard MP; Mr Chris Picton MP and Mr David Pisoni MP.

- On 15 May 2014 Mr Lee Odenwalder MP was nominated as the Presiding Member.
- On 27 May 2014 Mr Martin Hamilton-Smith MP resigned from the Committee.
- On 17 June 2014 Mr Dan van Holst Pellekaan MP was appointed to the Committee.
- On 30 October 2014 the Hon Iain Evans MP resigned from the Committee and Parliament.
- On 30 October 2014 Mr David Speirs MP was appointed to the Committee.
- On 10 February 2015 Ms Katrine Hildyard MP resigned from the Committee.
- On 10 February 2015 the Hon Jennifer Rankine MP was appointed to the Committee.
- On 27 January 2016 Mr Chris Picton MP resigned from the Committee.
- On 5 February 2016 Mr Dan van Holst Pellekaan MP resigned from the Committee.
- On 9 February 2016 Mr David Pisoni MP resigned from the Committee.
- On 9 February 2016 Mr Tony Piccolo MP was appointed to the Committee.
- On 9 February 2016 Mr Vincent Tarzia MP was appointed to the Committee.
- On 9 February 2016 Mr Stephan Knoll MP was appointed to the Committee.

The following Members currently comprise the Economic and Finance Committee:

Mr Lee Odenwalder MP (Presiding Member)

The Hon Paul Caica MP

The Hon Jennifer Rankine MP

Mr Stephan Knoll MP

Mr Tony Piccolo MP

Mr David Speirs MP

Mr Vincent Tarzia MP

Executive Officers to the Committee

Mrs Lisa Baxter, Ms Kendall Crowe and Ms Susie Barber

Research Officer to the Committee

Dr Gordon Elsey

Members of the Committee are appointed pursuant to section 20, and cease to be members pursuant to section 21 of the *Parliamentary Committees Act 1991*.

Functions

The functions of the Economic and Finance Committee are set out in section 6 of the *Parliamentary Committees Act 1991*. These are:

- (a) *to inquire into, consider and report on such of the following matters as are referred to it under this Act:*
 - (i) *any matter concerned with finance or economic development;*
 - (ii) *any matter concerned with the structure, organisation and efficiency of any area of public sector operations or the way in which efficiency and service delivery might be enhanced in any area of public sector operations;*
 - (iii) *any matter concerned with the functions or operations of a particular public officer or a particular State instrumentality or publicly funded body (other than a statutory authority) or whether a particular public office or a particular State instrumentality (other than a statutory authority) should continue to exist or whether changes should be made to improve efficiency and effectiveness in the area;*
 - (iv) *any matter concerned with regulation of business or other economic or financial activity or whether such regulation should be retained or modified in any area;*
- (b) *to perform such functions as are imposed on the Committee under this or any other Act or by resolution of both Houses.*

References

Pursuant to section 16 (1) of the *Parliamentary Committees Act 1991*, any matter that is relevant to the functions of the Committee may be referred to the Committee -

- (a) by resolution of the House of Assembly;
- (b) by the Governor, by notice published in the Gazette;
- (c) of the Committee's own motion.

Subsection (1) is in addition to, and does not derogate from, the provisions of any other Act under which a matter may be referred to the Committee.

Ministerial responses

Pursuant to section 19 of the *Parliamentary Committees Act 1991*, if a report contains recommendations, the Minister with responsibility in the area concerned is required to respond within four months and include in the response statements as to -

- which (if any) recommendations of the Committee will be carried out and the manner in which they will be carried out;
- and
- which (if any) recommendations will not be carried out and the reasons for not carrying them out.

The Minister must cause a copy of the response to a Committee's report to be laid before the Committee's appointing House within six sitting days after it is made.

Appendix 3

Submissions Received¹⁷⁸

No.	Name	Position	Organisation
1	Cr Martin Bray	Private Citizen	
2	Ms Kate Jessep	Director, Corporate & Community Services	City of Victor Harbor
3	Mr Russell Peate	CEO	Mid-Murray Council
4	Mr Terry Buss	CEO	City of West Torrens
5	Mr Roy Blight	CEO	Clare and Gilbert Valley Council
6	Mr Ryan McMahon	Director, Organisational Services & Excellence	City of Tea Tree Gully
7	Ms Gillian Aldridge	Mayor	City of Salisbury
8	Mr Peter Harder	CEO	District Council of Copper Coast
9	Ms Annette Martin	Manager, Financial Services	City of Charles Sturt
10	Mr Rodney Pearson	CEO	District Council of Lower Eyre Peninsula
11	Mr Joseph Scales	Secretary	Australian Services Union (SA and NT Branch)
12	Ms Lorraine Rosenberg	Mayor	City of Onkaparinga
13	Mr Mark Searle	Acting CEO	Local Government Association (SA)
14	Mr Kevin Kaeding	President	SA Federation of Residents and Ratepayers Associations, Inc.
15	Mr Mario Barone	CEO	City of Norwood, Payneham & St Peters
16	Mr Daniel Gannon	SA Executive Director	Property Council of Australia
17	Mr Paul Barker	Private Citizen	
18	Mr Trevor Carbins	Private Citizen	
19	Name Withheld	Private Citizen	
20	Mr John Houlahan	Private Citizen	
21	Prof Graham Sansom	Adjunct Professor	University of Technology Sydney

178. All publicly released documents pertaining to this inquiry can be found at the committee's webpage: <https://www.parliament.sa.gov.au/Committees/Pages/Committees.aspx?CTId=5&CId=292>

Appendix 4

Public Hearings

Date	Name	Position	Organisation
28 August 2015	Ms Lorraine Rosenberg	Vice President	Local Government Association (SA)
	Mr Mark Searle	Acting CEO	
	Mr John Comrie	Lead Consultant for Financial Sustainability	
	Mr Rob Donaldson	CEO	City of Port Lincoln
28 August 2015	Mr Martin Bray	Councillor	
24 September 2015	Mr Robert Bria	Mayor	City of Norwood, Payneham & St Peters
	Mr Mario Barone	CEO	City of Onkaparinga
	Ms Lorraine Rosenberg	Mayor	
	Mr Darren Styler	Manager, Finance	
	Ms Joan Murrell	Team Leader, Revenue	
24 September 2015	Mr Dave Burgess	Mayor	Mid Murray Council
	Mr Russell Peate	CEO	City of Victor Harbor
	Mr Steve Wilkinson	Councillor	
	Ms Kate Jessep	Acting CEO	
	Ms Kellie Knight-Stacey	Finance Officer	
	Mr Rodney Pearson	CEO	District Council of Lower Eyre Peninsula
26 November 2015	Mr Joseph Scales	Secretary	Australian Services Union (SA and NT Branch)
	Ms Kristen Gilbertson	President	
	Ms Anne Purdy	Director, Industrial and Legal	
26 November 2015	Mr Daniel Gannon	SA Executive Director	Property Council of Australia
1 February 2016	Prof Graham Sansom	Adjunct Professor	University of Technology Sydney
	Hon Greg Crafter AO	Former Chair	LGA Local Excellence Expert Panel
9 May 2016	Mr Lachlan Clyne	Mayor	City of Unley

Appendix 5

Glossary

ALGA	Australian Local Government Association
AO	Officer of the Order of Australia
ASU	Australian Services Union
CEO	Chief Executive Officer
CPI	Consumer Price Index
DCCC	District Council of the Copper Coast
DCLEP	District Council of Lower Eyre Peninsula
ESC	Essential Services Commission (Victoria)
ICAC	Independent Commissioner Against Corruption
ICT	Information and Communications Technology
IPART	Independent Pricing and Regulatory Tribunal (NSW)
LGA	Local Government Association of South Australia
LTFP	Long Term Financial Plan
LGPI	Local Government Price Index
MAV	Municipal Association of Victoria
MLC	Member of the Legislative Council
MP	Member of Parliament
NSW	New South Wales
SA	South Australia
SMP	Strategic Management Plan
SRV	Special Rate Variation
TABOR	Taxpayer Bill of Rights (USA)
TIF	Tax Increment Funding
UK	United Kingdom
WPI	Wage Price Index

Appendix 6

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Appendix 7

Minority Report

A Minority Report from Mr Speirs MP, Mr Knoll MP and Mr Tarzia MP was received and is included on the following pages.

Inquiry into Local Government Rate Capping Policies

Minority Report
of the
ECONOMIC AND FINANCE COMMITTEE

By David Speirs MP
Stephan Knoll MP
& Vincent Tarzia MP

July 2016

1

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1.0 Executive summary

The Economic and Finance Committee of the South Australian House of Assembly announced an Inquiry into Local Government Rate Capping Policies in May 2015 in response to ongoing concerns that local councils continue to increase rates well above the Consumer Price Index and the Local Government Price Index.

While the weight of evidence presented to the committee was against rate capping, this is to be expected given the majority of evidence came from the local government sector and could therefore be deemed self-interested. This minority report is being submitted to represent the interests of the individuals and businesses whose rates are being increased year on year well above the Consumer Price Index.

Key concerns addressed in this report include local government's management of infrastructure, the absence of a functional reporting system to maintain assets and deliver good service, and the financial sustainability of this sector as a whole.

Evidence presented to suggest that New South Wales is suffering an infrastructure backlog as a result of rate capping (or rate 'pegging') is called into question based on a Price Waterhouse Coopers report illustrating that infrastructure backlogs extend to the majority of councils Australia wide and do not seem to be worse in New South Wales than in other states. Furthermore, other evidence is presented to suggest that, despite capping rates, the capacity of New South Wales councils is forecasted to improve.

The following recommendation is made in response to these arguments:

Recommendation

That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households and property owners.

2.0 Introduction

South Australian councils have consistently put financial pressure on ratepayers by increasing rates well above the Consumer Price Index and the Local Government Price Index over the last decade. Many councils have also forecast exorbitant increases in rates over the next ten years which are out of proportion to the cost of living in South Australia. While council rates contribute an average of 68% of SA councils' revenue and some councils are making an effort to keep costs low, it is evident that there are still serious and multiple problems which continually undermine the prudent use of ratepayers' contributions. These include a continuing focus on expenditure on new and upgraded infrastructure at the expense of financing renewal and replacement of infrastructure, despite increased expenditure in this area. Even more concerning is the absence of functional reporting systems, required to adequately maintain assets and deliver good service. These areas of

concern were noted in 2005 by the Financial Sustainability Review Board (FSRB) ¹ and again in 2014 by the Local Government Association of South Australia.² They were also raised by some witnesses who appeared before the committee.

The fact that they have not been addressed adequately since 2005 shows a disregard for ratepayers, especially when accurate information cannot be provided by councils. This makes it difficult to assess information gathered in reports and therefore an accurate picture of the state of South Australian councils cannot be firmly established. Thus, comments made indicating that rate capping would see services cut, as claimed by a number of councils and the Local Government Association when they presented to the committee, belie evidence which shows that financial mismanagement is undermining councils' ability to make the best use of their revenue. Under these circumstances, it seems incumbent upon the state to intervene on behalf of ratepayers by capping rate rises. Ratepayers should not be held responsible for all expenditure not being carried out as efficiently as possible.

While the weight of evidence received by the Committee favoured the anti-cap argument, it is to be expected that local government would mobilise against external control being exerted over their financial affairs. As such, this minority report is being submitted to represent the interests of the individuals whose rates are being increased year on year well above the Consumer Price Index.

While this report is in agreement with recommendation 2 of the 91st report of the Economic and Finance Committee, and while not opposed to the transparency and accountability measures set out in recommendations 3 and 4 of the report, in contrast to recommendation 1, this report recommends the following:

2.1 Recommendation

That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households.

3.0 Evidence received

This report concludes that a rate capping regime would be beneficial and draws on evidence given to this effect by the Cr Martin Bray, Lachlan Clyne, Mayor of Unley, and the Property Council, as well as other independent research.

Further evidence is contained in the 91st report of the Economic and Finance Committee, with key points being:

¹ Financial Sustainability Review Board (FSRB) (2005). *Rising to the Challenge*, South Australian Local Government Association: Adelaide.

² Local Government Association. "SA Local Government Sector Financial Indicators Report 2014," <https://www.lga.sa.gov.au/webdata/resources/files/2014%20Financial%20Indicators%20report.pdf>

- Rate capping would require councils to control costs, improve productivity and reduce waste
- South Australian property owners are overtaxed and over governed compared to other jurisdictions and reform is desperately needed
- Many Councils have failed to self-regulate in this area, often implementing rate increases that are way out of line with inflation or CPI
- Local councils underutilise debt to finance infrastructure and rely too heavily upon rates revenue for capital works programs
- Local government has failed to explore different sources of revenue
- As per the Crafter report, otherwise known as Strengthening South Australian Communities in a Changing World, local government needs to change and improve its structures in order to be more financially sustainable.

4.0 Rate capping in other jurisdictions

A rate capping system is currently in place in New South Wales and Victoria.

4.1 New South Wales

Rate capping was introduced in New South Wales by the Wran Labor Government in 1977 in response to increased council rates, averaging 188 per cent from 1973-1976, compared to a 75 per cent increase in weekly wages and a 56 per cent inflation rate. On June 4, 2010, New South Wales Premier, Kristina Keneally transferred responsibility for setting the annual rate cap, assessing applications for a special variation in rates, and assessing applications for increases to rate minimums above the statutory limit from the Minister for Local Government to the Independent Pricing and Regulatory Tribunal (IPART). Under this arrangement, the Minister for Local Government retained authority for setting the policy framework under which applications are assessed. IPART was also given responsibility for setting a new Local Government Cost Index.

One of the main claims used against rate capping is that it does not enable councils to attend to infrastructure backlogs. However, Price Waterhouse Coopers (PWC) demonstrated that this backlog extended to the majority of councils Australia wide.³ The backlog does not seem to be worse in New South Wales than other states; therefore rate capping in New South Wales cannot be blamed for the infrastructure backlog. In fact, the report indicated that a key factor in the backlog was a tendency to defer or scale back renewals expenditure to upgrade existing infrastructure. This was reiterated by Percy Allan, in a Property Council of Australia forum, in which he stated that increased spending at the expense of capital works, rather than rate-pegging had contributed to an imbalance which resulted in an increased backlog in infrastructure.⁴

³ Price Waterhouse Coopers, "National Financial Sustainability Study of Local Government," Australian Local Government Association, Canberra, 2006.

⁴ Percy Allan, quoted in Vikki Campion, "Rates cap no bar to spending, Property Council of Australia forum hears," Daily Telegraph, Sept 15, 2011.

4.2 Victoria

The Victorian Essential Services Commission (ESC) undertook an inquiry into local government rate capping, releasing their findings and recommendations in late 2015. The ESC recommended one rate cap that should be made up of the Consumer Price Index and Wage Price Index and apply equally to all 79 local councils in Victoria. As is the case in New South Wales, there is provision for a variation to the proposed rate cap set each year.

While it is too early to draw meaningful conclusions from the operation of rate capping policy in Victoria, the ESC's inquiry in Victoria provides important insights into the benefits of a rate capping and variation framework.

5.0 Financial sustainability of local councils

The report by PWC⁵ also confirms that a sizable proportion of councils face long-term financial sustainability problems. These findings are in common with other state-based findings, including the Independent Inquiry into the Financial Sustainability of New South Wales Local Government (2006), the Western Australian Local Government Association (2006) Inquiry and the Local Government Association of Tasmania (2007). PWC suggest that associated infrastructure backlogs brought about by increases in operating costs and minimal sources of revenue have constrained expenditure, making it difficult to catch up.

Given these bleak outlooks, it would be easy to assume that substantial increases in rates would be advisable as opposed to the capping of rates. However, when taken in comparison, there is no greater infrastructure backlog in New South Wales than in other states, indicating that the infrastructure problem in New South Wales cannot be ascribed simply to rate-pegging. A report by Access Economics (2006) on the financial viability of New South Wales councils indicated that, based on projected outcomes, and with council willingness to utilise additional revenue-raising opportunities, the financial capacity of New South Wales councils would improve, despite rate-pegging.⁶

5.1 Internal reforms needed

Access Economics also noted problems in the financial governance of councils, including under-funding of depreciation, the outdated measurement of asset values and depreciation, poor asset management systems, and the inadequate monitoring and reporting of a council's financial position and performance. This is backed up by PWC, who found inconsistencies between states in methods of measuring and reporting financial records.

The PWC report recommended a combination of internal reforms aimed at improving efficiency and effectiveness, as well as reforming inter-government transfers, including providing partial funding to aid the development of tailored state-based reform programs.

⁵ PriceWaterhouseCoopers (2006). *National Financial Sustainability Study of Local Government*, Australian Local Government Association, Canberra.

⁶ Access Economics Pty Ltd (2006), *Local Government Finances in New South Wales: An Assessment*, Barton, ACT.

This last proposal is based on the report's comment that a significant proportion of councils have inadequate in-house skills to improve efficiency and to establish robust asset management and financial plans. The South Australian Financial Sustainability Review Board also reported problems with asset management and reporting, claiming it cast a cloud over the analysis of council finances based upon reported depreciation.

Although much attention has been given to the financial sustainability of councils and substantial problems with infrastructure backlogs, the evidence suggests similar problems in other Australian jurisdictions, which do not have rate capping. Not only are there inconsistencies between jurisdictions in their reporting methods but major internal issues which highlight inefficiencies, a lack of skills and serious gaps in the ability of councils to manage their finances.

The FSRB which assessed the financial sustainability of South Australian councils, concluded that 26 councils out of 68 were financially unsustainable and required sound financial management reforms to cut spending or substantial rate rises would be inevitable, something the report indicated should be a last resort. These councils had high operating deficits as well as substantial infrastructure renewal and replacement backlogs. However, the inquiry also reported that data was grossly lacking in terms of comprehensive council-by-council figures which show capital expenditure on the renewal or replacement of existing assets and so on the extent of any infrastructure renewal replacement backlog. The Panel therefore found it necessary to use proxy measures to analyse and present their findings.

Although a 2014 report by the Local Government Association (SA)⁷ found significant improvement over the last decade or so in the financial performance and position of the sector as a whole, it also stressed that some councils are financially unsustainable. The report also notes that while councils have increased expenditure on the renewal and replacement of existing assets for most years since 2005-06, there continues a worrying trend in the level of capital expenditure on new/upgraded assets by some councils which currently are recording operating deficits.

6.0 Discussion and recommendation

The results of this investigation lead to the conclusion that rate capping in South Australia would keep rates at an affordable, realistic level, thereby benefitting both residential and commercial ratepayers.

Councils should be working to achieve the best outcome for ratepayers in an efficient, transparent environment and as such, ratepayers should be foremost and central to this. The evidence from New South Wales shows that while a reported infrastructure backlog has been blamed on rate pegging, a similar infrastructure backlog has been reported in other Australian jurisdictions, where rate capping is not in use. Moreover, serious flaws in asset management and reporting as well as poor financial governance have contributed to

⁷ Local Government Association. "SA Local Government Sector Financial Indicators Report 2014," <https://www.lga.sa.gov.au/webdata/resources/files/2014%20Financial%20Indicators%20report.pdf>

unreliable data. As in South Australia, it is difficult to assess the actual infrastructure backlog and by continuing to employ inaccurate reporting methods councils are ensuring that their figures justify rate increases.

The New South Wales special rate variation process ensures a degree of flexibility when councils have a legitimate need to set rates above the rate cap. The argument that councils are reluctant to apply for variations does not hold up when almost all councils which apply are granted the variation in full. There does not appear to be a genuine reason why a council would not apply for a special rate variation where their purpose is clear, beneficial to the community, affordable and transparent. Local democracy is an important factor in this debate and can only be realised when councils are 'community sustainable' and 'financially sustainable'. Where councils do not hold themselves accountable to the public, the state must act on their behalf. Rate capping is recommended as a way to achieve this in South Australia.

6.1 Recommendation

That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households and property owners.

7.0 Acknowledgements

The following Members currently comprise the Economic and Finance Committee:

Mr Lee Odenwalder MP (Presiding Member)

Hon Paul Caica MP

Hon Jennifer Rankine MP

Mr Stephan Knoll MP

Mr Tony Piccolo MP

Mr David Speirs MP

Mr Vincent Tarzia MP

Executive Officers to the Committee

Mrs Lisa Baxter, Ms Kendall Crowe and Ms Susie Barber

Research Officer to the Committee

Dr Gordon Elsey

Special thanks to Judith Spencer, Research Student, Office of David Speirs MP for her research which contributed to this report.

Submitted 4 July 2016 by:

X

David Speers MP
Member for Bright

X

Stephan Knoll MP
Member for Schubert

X

Vincent Tarzia MP
Member for Hartley



Rate Capping Inquiry - Final Report - Circular 28.1

To	Chief Executive Officer Elected Members Policy and Strategic Planning Staff	Date	11 July 2016
Contact	Bethany Loates Email: bethany.loates@lga.sa.gov.au		
Response Required	Yes	Respond By	29 August 2016
Summary	The Economic and Finance Committee have now released its final report on their Inquiry into Local Government Rate Capping Policies. The LGA is now seeking council feedback on the recommendations made within both the Final Report and a Minority Report. Feedback is due but COB 29 August 2016.		

The Economic and Finance Committee has now released its final report on their Inquiry into Local Government Rate Capping Policies. This report also includes a Minority Report from three SA Liberal Party members of the Committee.

The Local Government Association (LGA) would like to thank all councils that assisted in this inquiry to help shed light on the detrimental impact rate capping would have on the South Australian community.

The Recommendations

Four recommendations were made by the Committee:

1. *Local Councils retain full authority to set their own rates and that no rate cap be introduced.*
2. *Local Councils continue to set rates after full consultation with their communities.*
3. *Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the Public Finance and Audit Act 1987.*
4. *Councils be required to publish, on an annual basis, these audits.*

The LGA is pleased that the Committee has shown support for the local government sector and South Australian families by recommending that no rate cap be introduced.

The LGA anticipated that a recommendation would be made about the use of the Auditor-General, and therefore last year commissioned independent in-depth research to evaluate the advantages and disadvantages of local government audits by private sector auditors versus the SA Auditor-General. The research is being carried out by Dr Sabine Schuhrer of the University of Adelaide's School of Accounting and Finance, with funding from the Local Government Research & Development Scheme.

The result of this research should be available by December 2016, and the LGA will consult with member councils to develop an informed position.

The Minority Report

The Minority Report, often referred to as a dissenting report, has been prepared by the three SA Liberal Party Committee members in opposition to the recommendations within the Final Report. In the Minority Report, they indicate support for recommendation 2 and are not opposed to the transparency and accountability measures set out in recommendations 3 and 4 of the report. However, in contrast to recommendation 1, they have recommended:

That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households.


Initial reading shows that these Committee members have largely relied on data from 2005 in describing the sustainability of councils.

Next Steps


The Final Report will now be provided to the Minister for Local Government to consider.

Section 19(2) of the *Parliamentary Committees Act 1991* indicates that, once referred to the Minister, the Minister has four months in which to respond to the report. The Minister must indicate which (if any) of the recommendations will be carried out; and which (if any) recommendations will not be carried out and the reasons for not carrying them out.

The LGA will be providing a submission to the Minister for his consideration. As such, the LGA is now seeking feedback from councils on the recommendations made within both the Final and Minority reports.

To assist councils the LGA has developed a short form to assist councils in their response. Please click here for the template: [Rate Capping Response Template](#)  (102 kb)

Please provide all submissions to Bethany Loates, Senior Policy Officer, electronically to bethany.loates@lga.sa.gov.au by COB Monday 29 August 2016. Endorsement for the submission will be sought from the 15 September 2016 Board meeting prior to being sent to the Minister.

For a copy of the Final Report which includes a copy of the Minority Report, please click here: [Economic and Finance Committee - Final Report](#)  (1498 kb)



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This is a printer friendly version of the following web page:- <http://www.lga.sa.gov.au/page.aspx?c=70030>



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23 June 2015

Office of the Mayor
Gillian Aldridge

Executive Officer
Economic and Finance Committee
Parliament House
North Terrace
ADELAIDE SA 5000

Dear Executive Officer

We refer to the recent announcement by the Economic and Finance Committee into the inquiry on the Local Government Rate Capping Policies.

We thank you for the opportunity to put forward our submission to the inquiry and the extension of the deadline for submission to allow Council to consider at its June 2015 meeting.

The City of Salisbury is a leading metropolitan Council with approximately 137,000 residents that covers 158 square kilometres. The community is diverse with around 18% of our community originating from non-English speaking backgrounds. The City of Salisbury delivers a wide range of services to its community that has only been achieved through strong and effective leadership and extensive engagement with the community.

The City of Salisbury has been actively delivering these services supported by a strong financial platform that ensures our community will continue to receive the services that it needs to prosper and develop. Our current Long Term Financial Plan will see Council deliver a balanced and sustainable budget over the next 10 years.

Council is of the view that a rate capping system will have a detrimental effect on Council's ability to meet the community's future needs while also impacting on existing plans to maintain existing infrastructure.

Attached to this letter is a summary of the key issues Council considers relevant to your inquiry. Should you require any further information or clarification please do not hesitate to contact our Chief Executive Officer, Mr John Harry on the contact details listed.

Again thank you for the opportunity to put forwards our views and trust that they will be given adequate consideration in the committee's inquiry.

Yours sincerely

Gillian Aldridge
Mayor
Phone: 08 8406 8212
Email: galdridge@salisbury.sa.gov.au

*City of Salisbury – Submission to the Inquiry into Local Government Rate Capping Policies*Financial Implications on Councils

The City of Salisbury has been actively managing its financial position to ensure that it can continue to deliver the services to its community now and into the future. Through extensive reviews of operating costs and alternate service delivery models Council has been able to deliver substantial savings to its community. This program of reviews is continuing and will continue to deliver further benefits.

In its long term planning Council has been able to deliver a consistent small surplus and sufficient funds to manage its existing asset base while also creating the capacity for future growth to meet future community needs. In considering its 2015/16 budget and implications over the next 10 years, Council has been able to enhance its financial indicators without the need for fluctuating rate increases.

In an attempt to understand the financial implications of a rate capping system, modelling was done on Council's financial position should a proposed rate capping system be linked to the Consumer Price Index (CPI). The modelling showed that over the next 10 years rate revenue could drop by around \$47m. This represented an average 0.79% difference between planned rate increases and CPI. This modelling showed that a small variance in rate increases can have substantial impacts on rate revenue.

Further the drop in potential rate revenue (and assuming no change in other variables) creates an environment where our Operating Surplus Ratio in 2025 drops to -4.7% compared to our planned ratio of 3.3%. Our target range is 0-5%.

The impact on Council's Net Financial Liabilities (NFLR) changes from 12.3% to 46.3% during the same period. Our target range is 0-40%.

As noted above, Council has been actively pursuing a strategy to improve its financial sustainability that would result in the Council being able to respond to emerging issues and needs for our community. Council will continue to look at opportunities to reduce its operating costs but overtime the potential savings diminish and Council would need to make changes to its service levels should it have its rate income capacity diminished.

Increasing Role of Local Government

Councils over time have transitioned to being more than "rates, roads and rubbish". Councils deliver many of the social services required by communities that may have in the past been delivered by other spheres of government.

A reduction in the capacity for Councils to respond to emerging needs will undoubtedly impact, in a negative way, the members of the community that are more likely to need these services. As noted from the financial analysis, Council would need to find on average an additional \$4.7m per annum of revenue if it were to maintain its service levels or reduce some of existing services to compensate. Based on the 2015/16 budget, \$4.7m equates to 4.3% of total operating costs.

Other options available to offset an income reduction would be to apply more user pay charges. Council is of the view that this is likely to impact on the community that may not have the capacity to pay but needs the service.

Should Council decide not to provide the service then pressure may be applied to other spheres of government or the private sector (who would undertake such a service for profit) to provide the service, potentially compounding an already difficult financial position for both state and federal governments. A similar view was expressed in the "Towards a Workable Rate Capping Regime" by Mr Peter McKinlay on behalf of the Victorian Local Government Association.

Asset Management Plans

In delivering a financially sustainable budget, Council has been developing enhanced asset management plans to not only understand future maintenance/upgrade needs but also the financial implications of these plans. Council has with minimal financial implications has been able to deliver a set of funded asset management plans with no material impact on the community through the need to increase rates drastically or materially reduce service levels.

Any rate capping system will have a detrimental effect on Council's ability to meet these plans with the likely outcome being reduced service levels, that is, inability to maintain the existing asset base with a detrimental effect on the community's ability to enjoy and utilise these assets.

This view is backed by evidence in other states, where due to a rate capping/pegging system, Councils are left with large infrastructure backlogs that will require extensive funding to bring back to a level that is deemed satisfactory. The City of Salisbury and other Councils should not be exposed to this potential outcome from a rate capping system. The Economic and Finance Committee are referred to the Local Government Review Panel – "Revitalising Local Government Report" (2014) and the "Facing the Renewal Challenge: Victorian Local Infrastructure Study" (1998) as independent reports that support this perspective.

Local Democracy

A fundamental principle of any sphere of government is the ability of government to govern based on the needs of its community/constituents. Local Government is at the closest interaction with its community and is in the best position to understand the community's needs.

A system that will erode a Council's ability to respond to its community is not supported. It erodes the fundamental principle of a governing body delivering its community's needs. Through election of Elected Members (community members themselves) and engagement on budgets and strategic plans, communities influence a Council's direction and priorities. This fundamental principle should not be negatively impacted.

Experience in Other States

Our submission has already noted some references where experience has shown a rate capping/pegging system has in all cases resulted in unwanted outcomes. Most of these outcomes only increased financial pressures in the future and required substantial funding to resolve.

Evidence clearly shows that a rate capping system should be considered carefully as it will undoubtedly result in circumstances that have greater negative impact than positive. If a rate capping system is intended to protect the community from high rate increases, all it appears to do based on evidence in other states is unrealistically drive down rate levels that cannot support the community's needs. This results in future communities having to pay to catch up on infrastructure backlogs.

It is further noted that evidence has shown that even when a rate capping system has the ability for Councils to apply for increases above the capping level, many Councils do not pursue this option due to the political sensitivities. This was highlighted in the "Revitalising Local Government, Final Report of the NSW Independent Local Government Review Panel (October 2013)", where out of 152 Councils, only 23 applied for the Special Rate Variation but evidence showed that 83 Councils would have needed to increase rates beyond the limit to just achieve a break even position.

The same report also noted that it did not find any evidence from experience in other states or submissions to the review that Councils would subject their ratepayers to grossly excessive or unreasonable imposts if rate capping was relaxed.

The committee is also asked to consider the further findings from the review of unintended consequences of a rate capping system, for example:

- Unrealistic expectations in the community that somehow rates should be contained indefinitely, even though other household expenditures are rising
- Underutilisation of borrowing due to uncertainty that increases in rates needed to repay loans will be granted.

Further Considerations for the Inquiry

Council is of a strong view that it has shown over many years that it has managed its finances effectively while delivering needed levels of services to its community. Council is also of a strong view that a rate capping system will have a detrimental effect on Council's ability to meet the community's needs. In this regard Council asks the inquiry to consider the way successful councils deliver their services to the community within a sustainable financial framework.

A risk to a rate capping system applied across Local Government may have a detrimental impact on Councils that are managing their resources effectively.

As noted previously, Councils are at the closest to their communities and have the ability to more rapidly respond to their needs. A focus of the inquiry should be on how Councils can better engage with their communities in the strategic planning and budgeting process to ensure that any resultant rate increases is reflective of their needs.

Economic and Finance Committee Inquiry into Local Government Rate Capping Policies – Final Report and Minority Report Recommendation Feedback

Council Name	
Contact Name	
Position	
Phone	
Email	

Recommendation 1: Local Councils retain full authority to set their own rates and that no rate cap be introduced.

(Support/Not Support)

Comment:

Recommendation 2: Local Councils continue to set rates after full consultation with their communities.

(Support/Not Support)

Comment:

Recommendation 3: Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the Public Finance and Audit Act 1987.

(Support/Not Support)

Recommendation 4: Councils be required to publish, on an annual basis, these audits.

(Support/Not Support)

Comment:

Minority Report Recommendation: That a local government rate capping regime be introduced in South Australia to reduce cost pressures on households.

(Support/Not Support)

Comment:

ITEM 6.0.3

BUDGET AND FINANCE COMMITTEE

HEADING Minutes of the Program Review Sub Committee meeting held on Monday 8 August 2016

AUTHOR Charles Mansueto, General Manager Business Excellence, Business Excellence

CITY PLAN LINKS 4.3 Have robust processes that support consistent service delivery and informed decision making.

SUMMARY The minutes and recommendations of the Program Review Sub Committee meeting held on Monday 8 August 2016 are presented for Budget and Finance Committee's consideration.

RECOMMENDATION

1. The information contained in the Program Review Sub Committee Minutes of the meeting held on 8 August 2016 be received and noted and that the following recommendations contained therein be adopted by Council:

PRSC1 Program Review Brief - Economic Development & Urban Policy

1. The information be received.
2. The Economic Development & Urban Policy Program Review Project Brief and Background Paper as set out in Attachment 1 and 2 to this report be endorsed.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Minutes Program Review Sub Committee - 8 August 2016

CO-ORDINATION

Officer: GMBE
Date: 10/08/2016



**MINUTES OF PROGRAM REVIEW SUB COMMITTEE MEETING HELD IN
COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY ON**

8 AUGUST 2016

MEMBERS PRESENT

Cr R Zahra (Chairman)
Mayor G Aldridge
Cr S Bedford
Cr D Bryant
Cr G Caruso
Cr L Caruso
Cr E Gill (Deputy Chairman)
Cr D Proleta

OBSERVERS

Cr D Balaza

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Infrastructure, Mr M van der Pennen
General Manager City Development, Mr T Sutcliffe
Manager Governance, Ms T Norman
Manager Civil and Waste, Mr L Thomas
Manager Economic Development and Urban Policy, Mr G Ratsch

The meeting commenced at 6:56pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

An apology was received from Cr B Vermeer.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr L Caruso
Seconded Cr G Caruso

The Minutes of the Program Review Sub Committee Meeting held on 11 July 2016, be taken and read as confirmed.

CARRIED

REPORTS

PRSC1 Program Review Brief - Economic Development & Urban Policy

Cr D Bryant declared a perceived conflict of interest due to a client tendering for a project as part of the Northern Economic Plan and determined to manage the conflict by remaining in the room, considering the information presented, but not voting in relation to the item.

Moved Cr G Caruso
Seconded Mayor G Aldridge

1. The information be received.
2. The Economic Development & Urban Policy Program Review Project Brief and Background Paper as set out in Attachment 1 and 2 to this report be endorsed.

CARRIED

*The majority of members voted IN FAVOUR of the item.
Cr Bryant DID NOT VOTE in relation to the item.*

OTHER BUSINESS

Nil

CONFIDENTIAL ITEMS**PRSC2 Presentation - Preliminary Findings of Program Review for Waste Transfer Station**

Moved Mayor G Aldridge

Seconded Cr L Caruso

1. *Pursuant to Section 90(2) and (3)(b)(i) and (b)(ii) and (d)(i) and (d)(ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and*
 - *information the disclosure of which would, on balance, be contrary to the public interest; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *disclosure of this information in advance of a decision as to which course of action Council would prefer to take could compromise Council's commercial position in relation to ongoing operation of the Waste Transfer Station.*

*On that basis the public's interest is best served by not disclosing the **Presentation - Preliminary Findings of Program Review for Waste Transfer Station** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CARRIED

The meeting moved into confidence at 7:02 pm.

PRESENTATION

PRSC2 Presentation - Preliminary Findings of Program Review for Waste Transfer Station

Moved Mayor G Aldridge

Seconded Cr G Caruso

1. The information be received
2. Pursuant to Section 91(7) of the Local Government Act 1999, it is recommended that the presentation and discussion, remain confidential and not available for public inspection until 8 August 2019.
3. The Chief Executive Officer is authorised to determine matters contained within the presentation and discussion that must be communicated with staff on a confidential basis in order to ensure industrial obligations are met, or consult with other parties impacted by changes to service levels.
4. Pursuant to Section 91(9)(c) of the Local Government Act 1999, the power to revoke the order under Section 91(7)(a)&(b) prior to any review or as a result of any review is delegated to the Chief Executive Officer.

CARRIED

CLOSE

The meeting moved out of confidence and closed at 8:00pm.

CHAIRMAN.....

DATE.....