

Ratepayers Victoria Press Release- 16th May 2012

Ratepayers Victoria (RPV) is reviewing several councils' financial and performance reports to understand the justification for annual rate increases. The reviews involve analysing council budgets, key performance indicator (KPI) alignment to objectives and the quality of performance reporting and governance and compliance practices.

The key findings so far reveal that councils do not practice zero based budgeting but instead they plan their budgets by increasing previous year's budgets; effective performance reporting is lacking and as a result Council staff and Councillors can only give general and obscure reasons for justifying annual rate increases.

The Victorian Audit General Office (VAGO) is auditing rate practices in councils now. They had recently consulted RPV in the audit. RPV has shared concerns about the lack of holding accountability by councils' CEOs and senior executive staff in ensuring that rates are affordable and justified with clear and reconcilable evidence of budgets, service and capital improvements and linkages to real market values of properties. For more than a decade local government index has exceeded CPI. When market rates were down, councils continued to value properties using obscure higher rate indices in calculating new rates.

RPV also discovered that the rate indices for other service charges, fees and fines are inconsistent and also increase every year. RPV says it is time for councils to come clean with their rate pricing transparency and disclosure of quality evidence for justifying rate increases to property valuation, service charges, other fees and fines.

RPV also cautioned ratepayers to be more diligent in reviewing their councils' budgets in future – they need to understand and question why their councils increase rates. Without such due diligence, councils have open cheque books to run their operations and pay their senior executives significant salaries without being held to account for measurable achievement-targets. This is the current situation in many councils. There is also another contributing factor – many Councillors do not understand budgeting and performance reporting practices, and their lack of knowledge puts them into difficult positions when approving budgets and they often rely on consensus and interpretative judgement in decision making that is often without in-depth analysis and clear understanding of the underlying empirical cost-value reasons for rate movements. In the next election, it is important that voters check that candidates have financial and service management know-how.

THE VAGO audit report will shed more light into the issues in local government rate practices and RPV will continue to monitor councils' resolve to improve their rate practices, budget and service performance reporting and alignment to objectives. A recent April 2012 audit report on council's performance reporting practices is currently available on the VAGO webpage http://www.audit.vic.gov.au/reports_and_publications/latest_reports/2011-12/20120418-lg-reporting.aspx and the issues reported also impact rate pricing and confirm some of our investigation findings. For more information, please contact ratepayersvictoria@gmail.com , website <http://www.ratepayersvictoria.com.au/>