



15 February 2018

Mr Andrew Chow  
Director Local Government  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne VIC 3000  
Sent by email to: [localgovernment@esc.vic.gov.au](mailto:localgovernment@esc.vic.gov.au)

Dear Andrew

### **Setting a Local Government Efficiency Factor**

Thank you for the opportunity to provide feedback to your paper of December 2017, 'Setting a Local Government Efficiency Factor – Draft Proposal'. Please find the City of Greater Bendigo's submission below.

Depending on the approach selected to setting the efficiency factor, it could potentially have a significant impact on the future revenue available to local governments to support their communities. Given this we appreciate the Essential Services Commission's attempt to establish an appropriate methodology for setting the efficiency factor, and the consultation undertaken with the sector in this process. The City of Greater Bendigo believes the following issues are critical in shaping the efficiency factor's final form:

1. The paper assumes that local government is by its nature inefficient, and the cited research as well as the proposed approach all build on rather than testing this assumption. This assumption should be rigorously tested and independently verified before any further limitations on revenue are imposed upon local government.
2. The rate capping regime by its very nature is an efficiency program, and it is not necessary or desirable to add a further efficiency factor on top of the cap. Capping rates has driven a need for significant efficiency measures and changes to local government business practice already, and ultimately will result in a reduced range and level of services and infrastructure available to local communities. It is not necessary to further overlay this with an additional efficiency mechanism.

3. The rate capping regime is still relatively new and its medium and long term impacts are not yet fully known or understood. Until these impacts are clearer, it is premature to add a further reduction in revenue through an efficiency factor. Given this, if an efficiency factor must be set the factor should be set at zero for at least the next five years.
4. Any factor that is set should be established well in advance to enable Councils to plan for the medium term future rather than having to react on a year-by-year basis to new data. Given this, models which provide for medium term predictability are preferred.
5. The drivers of increased costs to local government are far more connected to growth in communities and increasing community needs and expectations than they are to inefficient operating practices. Models which keep the efficiency factor at a relatively low level are preferable to minimise the impact on future service and infrastructure delivery, and allow time for innovation and efficiency programs to be implemented and realise benefits.

The City of Greater Bendigo would welcome the opportunity to discuss this submission in more detail if required. Please contact Director Corporate Performance Kerryn Ellis via email to [k.ellis@bendigo.vic.gov.au](mailto:k.ellis@bendigo.vic.gov.au) should you have any queries.

Yours sincerely



**Craig Niemann**  
**Chief Executive Officer**