

Indigo Shire Council – Rates transparency?

During the Indigo Shire council meeting on Tuesday 27 February 2024, concerns were voiced by Local resident Robin McLeish, prompting a discussion on the council's future compliance with the Local Government Service Rates and Charges document issued in December 2023 by the Local Government Minister the Honourable Melissa Horne.

The Services, rates and charges guideline essentially becomes a directive when issued by a minister and is classified as an operational matter to be dealt with by management, as opposed to strategic matters that resides with councillors. The ministers document directs Councils to ensure special charges are appropriately allocated. Whilst it has taken many years, this move was undoubtedly sparked almost 6 years ago when the Ombudsman investigated and reported on Wodonga City Council, April 2018.

<https://www.ombudsman.vic.gov.au/our-impact/investigation-reports/investigation-into-wodonga-city-councils-overcharging-of-a-waste-management-levy/>

An emerging trend across the Victorian Local Government Council sector has been identified by Local Government Victoria, where service charges are being used to inappropriately. Some councils fund a range of services from levies or charges to circumvents the State government rate cap that was introduced in 2016. Additionally, cost shifting gives the incorrect appearance that general rates are lower. The general rate benchmark was used by the public for many years until it was diluted by Council's knowingly reducing rate cost transparency.

Ombudsman documentation from Mr McLeish shows the practice was in place at least before 2018 and possibly many years before. The response from the Ombudsman in 2019, a year after the Wodonga City council waste overcharging, revealed that the new incoming Indigo Shire Council CEO (Feb 2018) would improve transparency. Unfortunately, after 5 years no changes were made.

The reallocation of general rate services to a special "environmental management contribution" (EMC) fee by Indigo Shire Council for many years has the effect of circumventing a government-imposed rate cap and while technically permissible – is an inappropriate use of service charges. This statement is supported by the Local Government 2023/24 summary report by Local Government Victoria.

Critics argue the annual cost shifting from the general rates by exploiting the EMC was kept up to give the appearance of low general rates and bypass the rate cap. This move has raised questions about the council's commitment to transparency and fiscal responsibility, particularly in light of the government's critique of such practices for potentially misusing service charges to fund broader public services.

How will the council ensure its budgeting practices align with these guidelines? And what steps will be taken to address community concerns regarding the equitable distribution of charges and the integrity of rate capping measures?

In a statement following the council meeting from the CEO.

“The Local Government Minister released her Good Practice Guidelines in late December 2023.

Because the 2023/24 budget, which covers the current financial year, was adopted in June last year (before these good practice guidelines were released), the next opportunity for Council to consider its Service Rates and Charges is the production of the 2024/25 budget.

This draft budget for the 2024/25 year is scheduled for public release in May this year. At that time Council will comment on its implementation of the guidelines and how they have been incorporated into the annual budget and the structure of its Service Rates and Charges going forward.”

It appears that Indigo Shire Council may take the appropriate steps after scrutiny by Mr McLeish and publication of the matter in the Border Mail on 29th February. Council have omitted indicating that the full implementation of the guidelines will be enacted.

It appears that the outcome will see that general rates will be correctly represented by Indigo Shire Council in 2024/25 however, the amount of funds bypassing the rate cap for many years will never be known.

Many years of annual audits by the auditor general’s contract external auditors and Council’s risk and audit committee have not uncovered Council’s actions that have reduced the transparency of the council and eroded public trust.

This situation now brings to the forefront the accountability of the council in adhering to the spirit of government regulations and the need for clear communication and transparent budgeting practices.