



**David M. Davis, M.P.**

Member for Southern Metropolitan Region  
Shadow Minister for Planning  
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Local Government Rate Capping and Variation Framework Review  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne VIC 3000

Dear Sir/Madam

Thank you for inviting feedback and views on matters raised in the *Essential Services Commission 2015, Local Government — Rates Capping and Variation Framework Consultation Paper, April*.

**1. Criticality of state government grants to local government**

I note that Terms of Reference 4 b) at Appendix A requires the framework to take into account factors that may impact on local governments' short and longer term financial outlook, such as any relevant commonwealth government cuts to local government grants, yet the Essential Services Commission is not required under the Terms of Reference to give any consideration at all to state government cuts to local government grants.

It is hard not to conclude that the Local Government Rates Capping Framework Terms of Reference has been written specifically to exclude cuts to state government grants to local government.

Despite this extraordinary omission, the Essential Services Commission's work would not be complete or stand the test of plausibility if any cuts to state government grants and funding to local government were not central to the ESC examination of a local government rate capping and variation framework.

**2. Rural councils**

On page 40 of the consultation paper it is noted that "rural councils with smaller populations and significant road networks generally rely more on grants than rates and charges", meaning the Andrews Labor Government cuts to date to Local Government grants must impact them disproportionately, and more so when the grants being cut are to programs supporting these councils in particular.

I nevertheless note that on page 21 of the consultation paper the issue of "decreases in government grants" is posed as a matter on which the ESC needs to provide advice regarding its legitimacy as a factor for a variation and ask:

- given the non-specific language, whether this includes state government cuts to local government grants, and further;
- does this mean that the 19 small rural and 21 large rural councils impacted by the Andrews Labor Government's cuts to grants to these councils in particular through the Regional

Growth Fund and the Country Roads and Bridges program, and any future cuts to State Government grants, will require each of these 40 councils to individually and annually seek variation to make up for this State Government revenue shortfall, and finally;

- if this is the case, is this not clearly a complex, expensive and discriminatory cost shifting exercise from the Andrews Labor Government to rural ratepayers?

### **3. Growth councils**

I note on page 21 of the consultation paper that population growth is a matter on which the ESC needs to provide advice regarding its legitimacy as a factor for a variation.

Population growth will of course impact on a number of councils in particular given the need to provide new infrastructure and establish new services.

In this context it will be important that aggregate grants and transfers from state government to local government are calculated and that overall flow of financial support to growth councils and interface councils in particular are taken into account.

The mere establishment of a fund for interface councils would not in and of itself protect these councils from cuts to state government support if the aggregate flow fell. The use of apparently new or denominated funds to replace standard or regular departmental expenditure must be taken into account.

### **4. Capped fees and charges**

Page 4 of the consultation paper states "The second biggest source of revenue is Federal and State Government grants followed by statutory fees, charges and fines, developer contributions and other sources such as bank interest, asset sales, and earnings from rental properties".

In determining an appropriate Rates Capping and Variation Framework, the Essential Services Commission should also be aware that councils' ability to increase statutory fees and charges has also been removed by now Premier, then opposition leader, Daniel Andrews during the Sky News live debate from Frankston on 19 November 2014:

- Compare: "So any higher taxes, levies, fees, charges?"
- Daniel Andrews: "Absolutely not ... The answer is a very simple one – no increases and the question also related to new charges. I have no intention of introducing new charges."

The Premier confirmed in the Parliament on 23 December 2014, "Every Victorian can have complete confidence that each and every one of the commitments made by this government will be honoured in full". Mr Andrews needs to remain true to his word which means no higher taxes, levies, fees or charges will be permitted to be considered in the development of a rates capping framework.

Yours sincerely,



The Hon. David Davis MP  
Shadow Minister for Local Government

28 April 2015