

John Anderson -committee member Batesford Rate Payers Ass)

Local Government Rates Capping and Variation Framework Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000
Email: localgovernment@esc.vic.gov.au

Date: 6.5.2015



Dear Essential Services Commission

Local Government Rates Capping Framework (Framework)

Our Association supports the proposal for local government rates and charges to be capped to the rate of inflation. We are concerned that the rise in rates over the last 10 years is excessive having increased by 100% which is more than the increase in the cost of nearly all other costs or services incurred by Victorians.

This exorbitant increase is placing a financial burden on families, individuals and businesses. Excessive rates increases have continually occurred over the last 15 years since Council amalgamation and simply cannot be justified or sustained into the future. Rates in Victoria have reportedly increased more than other states and this makes business uncompetitive.

Annual rate-pegging has been in place in New South Wales for more than 35 years, is supported by both sides of politics and this provides a **workable model** on which a rates capping framework can be based. The rate peg is set by the government's Independent Pricing & Regulatory Tribunal which determines the maximum percentage amount by which a Council may increase its general income for the year.

The NSW rate peg is based on a Local Government Cost Index (LGCI) which measures price changes over the past year for goods, materials and labour used by an average Council. A productivity factor is deducted from the LGCI to strike a balance between ensuring that councils can meet the increased costs of delivering services resulting from price changes and ensuring that Councils share productivity gains with ratepayers.

The Municipal Association of Victoria also prepares a Local Government Cost Index which used as a benchmark to measure rate increases. However in 2013 the Victorian Auditor-General (VAGO) indicated that Councils are generally dissatisfied with the existing Local Government Cost Index.

The Essential Services Commission's Framework for capping of rates should be consistent with the VAGO report which stated: "A suitable and agreed sector cost index should be developed and used by all councils to promote greater transparency and comparability of increases in rates and charges". The Framework must include a productivity factor as is allowed in NSW.

Rates and charges are not the only means by which Councils receive an increase in annual revenue. For example, Councils also receive the benefit of supplementary

My address:

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Level 37, 2 Lonsdale Street
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Date:

5/5/15

Dear Essential Services Commission

Local Government Rates Capping Framework

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The Herald Sun (18 March 2014) reported that "Councils have stung Victorians with rate rises totalling more than \$2 billion above the rate of inflation over 10 years".

This exorbitant increase is placing a financial burden on families, individuals and businesses. Excessive rates increases have continually occurred over the last 15 years since Council amalgamation and simply cannot be justified or sustained into the future. Rates in Victoria have reportedly increased more than other states and this makes business uncompetitive.

On top of these rate rises, Mornington Peninsula Shire has pushed up the Municipal Charge to \$180 per household, which is effectively a flat-tax subsidiary rate and a grossly unfair burden on lower-income ratepayers.

Rate capping does not totally prevent an increase in Councils' revenues. In addition to still receiving increased revenue each year to match the cost of inflation Councils also receive the benefit of additional income as new subdivisions and/or new houses and developments are completed.

If Councils have special circumstances and wish to increase rates more than the cost of inflation then they should have to rigorously justify the increase. It should not be open slather like it is now. Any such increase should have a "sunset clause". That is, the increase should not continue ad-indefinitum but should be specific for the term of the special circumstance.

Annual Rates Notices should itemise these special circumstances charges so that the cost is clearly indicated to ratepayers who would also be able to determine when a special charge should cease.

The Essential Services Commission should also ensure that Councils cannot subvert rate capping measures by increasing charges for services or borrowings in lieu of increasing rates more than the cost of living.

I. K. LEE

Yours faithfully

E. I. LEE

Name:

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Yours faithfully

Pat McIlwaine

Name: PATRICIA McILWAINE

My address:

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Level 37, 2 Lonsdale Street
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Date: 7/5/2015



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Name:

W. Weel

My address:

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Level 37, 2 Lonsdale Street
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Date: 4/5/2015



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Yours faithfully

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Name: Ron Jackson

My address:

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Name: Ron Jackson.

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Date: 6th May 2015



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Name:

BRENDA GREEN

My address:

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Yours faithfully *GORDON F. E. WATT*

Name: *G. F. Watt*
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