Essential Services Commission,

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Thank you for the opportunity to provide feedback on matters raised in the draft report – A blueprint for change - Local Government Rates Capping and Variation Framework.

I now provide the following comments:

- Rates are a "wealth tax" based on the valuation of a property – rates have not gone up in % terms as much as other "household" costs e.g insurances, water & waste water charges and electricity – my Halls Gap rates have gone up 23% whereas the water & sewerage charges have increased by 53% since 2007 (does the ESC monitor these increases?)
- Rates are not expensive if one considers the services councils provide and the requirement for councils to comply with so much state legislation – governance costs are increasing as state government introduce new legislation – an average of $3,500 per council to implement the Local Government (Financial Planning and Reporting Regulations) - not
- The rate cap is based on % terms – why not a dollar term as well? – the Fire Service levy in 2015/16 for a residential property valued at $1.016 million will **see an increase of 18%** (and the state government are wanting to cap rates at 3.05%??)
- Rates would look more affordable to ratepayers if the state government made it mandatory to pay rates by instalments – how many other taxing authorities send accounts out in august but allow customers/ratepayers over 5 months to pay lump sum payments ?
- "contain the cost of living" whilst "ensuring the sustainability of the councils" – nice idea but in the 31 years of council employ it is my opinion Councils have not rationalised their asset base but rather expanded it with the assistance of government grants on projects without due consideration to the life cycle of the assets (build, operate, maintain, renew, dispose, build again)
- One rate cap should not apply to all types of councils as they have varying capabilities to generate revenue – there are also fixed costs councils need to incur which are not based on the rate raising capability of councils – e. g Audit fees per assessment in Ararat is $4.01 and for Moyne it is $2.63, or per capita it is $2.53 for Ararat and $1.94 for Moyne – if the ESC introduce a fee to consider variations will it be the same fixed fee for each council or will it be based on capacity to pay?
- I agree with the ESC that supplementary rates should not be subject to the cap and that the supplementary rates raised needs to be annualised e.g the model budget estimates $425,723 – this would equate to a higher annualised figure as the $425,723 would be generated at different times during the year
- The ESC needs to provide further clarification on the rates & charges paid by the average ratepayer – the example used in the paper is too simple as it does not take into account differential rates, municipal charges and revaluations. In the paper in one section you mention the ratepayer will be "observing the change in the amount owing" on their rate notice each year but then suggest the rate cap apply to a typical or average ratepayer??? – I do not believe the number of rateable properties should be used anywhere to work out the rate cap – e.g if 50 new houses are built at a value of $300,000 during the year on existing land (i.e no additional assessments) what affect does that have on the average property value?? Perhaps the ESC can use the Victorian Council model budget to show how the rate capping framework will apply?

- The % cap should be applied to the rate in the dollar that was adopted for 2015/16 and the municipal charge that was adopted for 2015/16 as part of the budget process (not the "start of the year" as indicated in the paper); and then adjusted for any changes in valuations during the year and any additional municipal charges income received due to supplementary valuations. – it should not related to the number of rateable properties as I believe the average figures distort the cap.
- Introducing an efficiency factor without considering the existing status of each council's financial sustainability and capacity to cope with the framework may have long term ramifications. When will the efficiency factor finish? Isn't complying with the framework an efficiency factor in itself?
- Will the proposed timelines for 2016-17 rating year provide enough time for all concerned to ensure a smooth implementation? – Table 3.2 in volume 11 says community consultation is required before the ESC deal with application so council has to consult with community twice? – once before making application as well as part of budget process – will section 223 apply to the first round of the consultation? Does the timetable refer to the start of the months or the end of the months?
- How do council's consult with the community about the rate capping when council cannot advise what the individual rates will be in 2016/17 because it depends on the 2016 revaluation?
- What baseline data (budget) is required in January 2016? Does that need to be exposed to community consultation? If it does then the budget needs to be prepared prior to xmas?
- Does it include the 4 year strategic resource allocation plan? I would suggest the ESC would need to consider a 4 year outlook when looking at applications for variation? – otherwise how can the framework ensure the "sustainability of the councils".
- The suggestion to shift the variation process two months & revert back to a later adoption of budgets in august I believe does have merit
- How does the 2016 revaluation affect the framework – i.e the final valuation return is due at the end of April 2016 – council cannot prepare the budget before then because part of the regulations state the rate in the dollar, percentage changes from previous year etc need to be included?
- The vast majority of ratepayers/residents have absolutely no interest in what council does. If the State Government or the Commission benchmarked the number of submissions received as part of the current consultation process they will see little interest is shown by the community. The community will not want rate rises and the different communities will want different things – urban vs rural, small towns vs large towns.
- Variations should apply to the life of the strategic resource plane

Conclusion:

I believe no councillor wants to increase rates more than necessary. No ratepayer wants to pay more than he/she believes is reasonable. But what is reasonable and equitable?

But services need to be provided and legislation needs to be complied with? = Assets need to be built, operated, maintained, renewed or disposed of.

The community may want everything but do not want to pay full cost recovery – otherwise it may cost over $20 to go for a swim in the local pool

There are a number of reports that indicate a number of councils are financially unsustainable. The infrastructure renewal gap facing Council's will continue to grow as I believe the issue is too big for Councils to manage.

The MAV Rates Survey for 2014-15 indicates Ararat has the 8th highest average rates, municipal charges and garbage charge per assessment, excluding the fire services levy.

I believe the rate capping framework will allow some councillors an easy way out of having to deal with renewal gaps and making hard decisions to rationalise assets and cease the provision of services.

I believe Ararat will always be one of the highest in Victoria because it is what it is – a limited number of assessments, a limited ability to increase user fees, the lack of population growth in rural areas, the regional type services provided but paid using a rural rate base; the increase in the asset renewal gap, having a few highly valued buildings that cannot be disposed of etc etc etc

Perhaps the answer is for local government to borrow money every year to pay for operations, maintenance and renewal works?

Perhaps the answer is a new round of amalgamations? Perhaps the 1994 amalgamations did not go far enough?

Council is the custodian of a number of assets situated on crown land and local government is to a large extent influenced by state government decisions.

Is long term financial sustainability of councils the ultimate responsibility of State Government or Local Government?

As taxpayers of Australia live beyond their means it appears deficits from all levels of government will become the norm?

The views expressed in the submission are my own personal views, being a ratepayer who pays community taxes (rates) in 3 different councils for 5 houses (a taxpayer living beyond their means).

I wish you luck in your endeavours and thank you for the opportunity to contribute to this consultation paper.

Regards

Alistair Rowe

The following table is something I have prepared to attempt to explain differences in rates for different councils

2014/2015	Ararat	Southern Grampians	Moyne	Pyrenees	Northern Grampians
	$	$	$	$	$
General Rates:	$12,159,900	$14,442,818	$12,813,774	$6,936,269	$11,648,000
Municipal Charges	$530,628	$1,594,250	$2,152,570	$0	$1,082,000
Total General Rates & municipal charges:	**$12,690,528**	**$16,037,068**	**$14,966,344**	**$6,936,269**	**$12,730,000**
Population	11,183	16,359	15,955	6,669	11,845
Number of rateable assessments	7,049	10,817	11,776	5,841	9,243
Grants commission - general purpose funding	$3,161,250	$3,845,291	$3,643,228	$2,856,449	$3,897,896
Grants commission - roads funding	$2,145,950	$2,894,922	$3,708,388	$2,012,528	$2,627,553
Total grants commission funding	$5,307,200	$6,740,213	$7,351,616	$4,868,977	$6,525,449
Difference in general purpose grants		-$684,041	-$481,978	$304,801	-$736,646
Difference in road grants		-$748,972	-$1,562,438	$133,422	-$481,603
Total difference in grants commission funding		**-$1,433,013**	**-$2,044,416**	**$438,223**	**-$1,218,249**
1% rate rise	**$126,905**	**$160,371**	**$149,663**	**$69,363**	**$127,300**
rates & municipal charges per assessment	$1,800	$1,483	$1,271	$1,188	$1,377
rates & municipal charges per capita	$1,135	$980	$938	$1,040	$1,075
Expenses - audit fees	$28,249		$31,000		
Audit fees per assessment	$4.01		$2.63		
Audit fees per capita	$2.53		$1.94		
Ararat's audit fees per assessment are 51% higher than Moyne's			52%		