

Local Government Rates Capping and Variation Framework Review  
Essential Services Commission  
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28 August 2015

To the Commissioners,

**Submission to Rate capping and Variation Framework draft**

Banyule City Council has noted the release of the Draft Rate Capping and Variation Framework ("A Blueprint For Change") on 31st August 2015 (Volume 1) and 3rd August 2015 (Volume 2). At a Council meeting on 17th August 2015 a report was made to Council and the key aspects of the draft framework discussed, including consideration of the impacts of this imposed framework. On behalf of Council, this letter provides our response, including Council Meeting recommendations for submission to the draft Framework documents.

The submission points are as follows:

1. That in alignment with Principle 1 of the rate capping design framework Council submits that further consideration needs to be made for capping provision in accordance with local community needs, priorities and resources.
2. The "one size fits all" approach is a blunt instrument that does not consider local issues.
3. The rate cap does not allow a council to be self-determining in responding to local needs, and erodes the mandate of representation by local councillors.
4. That the ESC provide analysis of the current financial position of all councils and their ability to remain sustainable under the rate capping proposed.
5. That the direct effects of rate capping on Council's ongoing and responsive service provision be fully assessed.
6. That the ESC undertakes analysis of the future long term effects of the proposed rate cap.
7. The framework is based on the general assumption that the cost pressures on the local government are linear and/or one dimensional, when in fact Council operates in complex environments exposed to multiple external forces.
8. That the capping mechanism be broadened to take into account other cost drivers which impact on Council resources.

9. That the implementation of any rate capping should occur after the expiration of the current City Plan and post the 2016 General Council Election.
10. That where support from other levels of Government for community infrastructure projects and initiatives is evident, an as of right variation process should exist.
11. That all costs identified by Council in the administration of the rate capping system are publicised by the ESC on their website, and through the Local Government Reporting Framework to the community.
12. That Council acknowledges the good work the ESC continues to do in the development of the framework however there are concerns about the increased administrative burden on councils in relation to the proposed variation planning, consulting and reporting processes.

In addition:

13. The wage rate index is based across industry and is not necessarily able to reflect wage decisions supported at the Fairwork Commission by which a Council may have to legally abide.
14. Inherent in the rate cap system proposed by the ESC is a flat efficiency dividend which has not taken into account any current financial position of Councils, nor existing and previously identified ongoing efficiencies.
15. The proposed capping approach will make it difficult to apply capped rates to varying property types under differential rating. If the framework remains unchanged in respect some guidance and support will be required to handle this complexity and impost.
16. The base year should be the 2018- 2019 Financial Year, allowing a new Council to have carriage of the capped environment, whilst also allowing appropriate time for research and consultation to be concluded as to appropriate rate cap setting for key sector factors.
17. The timelines regarding variation applications removes the decision making options of Councils and local communities in setting their final budgets, as well as the ability to fully respond through existing, statutory, open-to-the-public budget setting processes.
18. The rate cap proposed does not take into account the significant State-driven resource pressures of cost shifting, legislative burdens, and fee freezing imposed upon local government, nor does it take into account funding reductions and grant freezes.
19. The State Government must review its own cost shifting practices which impacts local government resources. The ESC has not addressed this sufficiently under the Terms of Reference (Items 1, 4a, 4c, 6c, & 7), nor has assessed it adequately in the draft Report.
20. A further layer of administration and cost is now borne by Council through this process. This will include specific consultation activities to ensure the particular variation requirements of the ESC are met, regardless of existing purpose-specific consultation activities and alignment with Council Plans and processes, and will skew diversion of consultation resources from other ongoing planning and performance initiatives.
21. The draft framework report focuses on the need for ongoing reporting and oversight of the program and proposes the utilisation of existing reporting programs and metrics to collect and monitor the quality assurance of the program. This is a welcome outcome and Council supports this method of program control and assessment, including current

reporting and easily accessible data and Annual Reports. Where the ESC deems that new information is required from Councils to support the regime, that the costs of that data provision be acknowledged publically, and any existing reporting to the State that has been deemed inadequate for the purpose be discontinued.

22. The rate capping framework remains a State initiative, and any funding for the administration of the framework, the review of its effectiveness, or reporting associated with the scheme should be borne by the State so as not to create a further cost shift or burden on local government.
23. On the basis that the State Government be consistent in seeking to alleviate cost pressures on Victorian households, that the State Government review its own charges, debt burden exposures and strategies, waste reduction, and budget management.
24. Banyule remains concerned that a rate cap will significantly impact on the local community through the eventual reduction of services to the community, the risk of failing local infrastructure and a far higher long term cost to communities through the eventual renewal gap caused (generational impact).
25. There is a flawed base assumption that the level of rating undertaken across all Local Governments is not appropriate to manage the vast amount of community infrastructure and services. The State should address issues in the instances where they occur, rather than imposed burdens on all Councils and communities.

Banyule City Council welcomes the opportunity to provide this submission. It is critical that the State Government and its agencies genuinely consult and consider the impacts of their policies and requirements affecting the sector.

Every additional layer of reporting and requirements must be assessed against true usefulness, existing mechanisms, the continuing diversion of resources from community service provision, and, if this and other initiatives are determined to be of such value by State Government, that they also be applied across State Government itself.

Yours faithfully



**CR. CRAIG LANGDON**  
Mayor  
Banyule City Council

