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CITY OF MELBOURNE

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Dear Dr Ron Ben-David

LOCAL GOVERNMENT – RATES CAPPING AND VARIATION FRAMEWORK (CONSULTATION PAPER)

The City of Melbourne, Council Plan 2013-2017-Goal 7, *Resources are managed well*, sets our vision to strive for financial sustainability. The council action for 2015 to deliver a 10 year, long term financial plan is founded upon responsible financial management and minimal rate increases.

City of Melbourne is generally supportive of a framework that displays strong fiscal restraint, yet continues to deliver quality service outcomes and maintain the community asset base. An uncomplicated framework that continues to allow councils to utilise the rate provisions of the Local Government Act for the benefit and long term interest of the community remains necessary.

The local experience over the last ten years is a clear demonstration of Council's Goals in action. Since July 2006, City of Melbourne has on five occasions increased the rate base by less than the Consumer Price Index.

Council's administration has considered the Government objectives and importantly the principles in the consultation paper and makes the following general comments.

- There should be a single cap applied to revenue raised from rates, municipal charges and any ad-valorem revenues (generally sections 159 to 161, Local Government Act).
- Rate provisions that seek to recover costs for service provisions should not be included in the cap (sections 162 and 163, Local Government Act).
- Revenue growth generated from developing segments of any community; that is supplementary rate income should be excluded from the capping regime.
- There should a structured variation framework that demands a robust demonstration of reasons and benefits for any variation that is clearly understood by the community to be effected

Based on past experience, any rate-cap applied at the assessment level should be avoided as it adds an additional layer of administrative complexity and it effectively makes the biennial General Valuation process superfluous as rate increases will be pegged to a base year.

A Variation Framework is absolutely necessary and the Commission should establish criteria based on a clear set of guidelines that councils must satisfy for their submissions to be considered. It is important that the effort in preparing an application for variation is proportionate to the benefit to the community, especially where there is a high level of support for the revenue to be raised.

Key elements for consideration have been reasonably well identified in the consultation paper. The most important are the clear and transparent illustration of community engagement; a detailed financial plan and rate strategy; and cost benefit analysis for the variation.

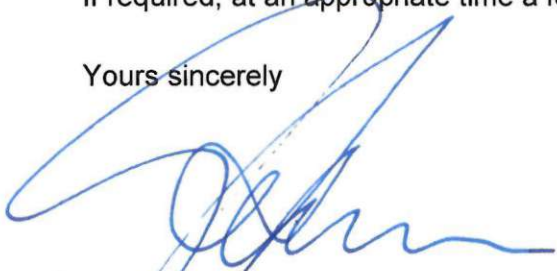
It is envisaged that variations could be categorized in different ways. A municipality seeking to utilise other rating tools contained in the legislation, for example rebates or differentials, to re-calibrate equity within the capped rate yield maybe exposed to different rigor than a council seeking to lift a capped yield.

Any rate cap should be set no later than mid-January each year, in order to give councils sufficient time to assess its impact on budget preparations.

The Essential Services Commission has an extremely tight timeframe for review and consultation and the City of Melbourne will endeavour to provide input within this timetable or provide additional information to any specific requests.

As discussed earlier this week, council administration would welcome any opportunity to participate in a one-on-one consultation to further discuss the formulation of the framework. If required, at an appropriate time a formal Council position can be sought.

Yours sincerely



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