

29 April 2015

Local Government Rates Capping and Variation Framework Review
Essential Services Commission
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Melbourne VIC 3000
Email: localgovernment@esc.vic.gov.au

Dear Essential Services Commission

Local Government Rates Capping Framework

1/we support the proposal for local government rates and charges to be capped to the rate of inflation. 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.

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.