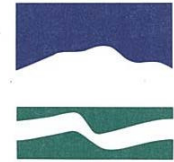


**Enquiries:** David Roff  
**Telephone:** (03) 5775 8555  
**Our Ref:** E411



**MANSFIELD SHIRE**

14 May 2015

Dr Ron Ben-David  
Chairperson  
Essential Services Commission  
[localgovernment@esc.vic.gov.au](mailto:localgovernment@esc.vic.gov.au)

**Mansfield Shire Council**  
Private Bag 1000 Mansfield 3724

**Telephone**  
03 5775 8555

**Facsimile**  
03 5775 2677

**Email**  
council@mansfield.vic.gov.au

ABN 74 566 834 923

Dear Dr Ben-David

### **SUBMISSION ON RATE CAPPING**

Council wishes to make several points in relation to the proposed rate capping regime. Firstly Council supports a framework of accountability which includes the Performance Reporting Framework and some means of justifying rating and other financial decisions.

Having said that, any system needs to be relatively simple to administer, have regard to financial pressures on councils, the need to provide services, but also have regard to the impact of excessive rate increases on ratepayers.

Specifically, Council wishes to make the following points:

#### Supplementary Rates

Council has averaged an annual population increase of 1 - 2% for a number of years now and this creates additional demand for services and infrastructure and Council believes that supplementary rate revenue should not be included in any cap, with it therefore being available to assist in meeting increased demands.

#### Which CPI?

Understanding that the ESC is to look at a number of factors in designing a rate capping system, the Government has articulated a desire to cap rates at CPI which raises the question of which CPI?

The State Government's own budget flags an average CPI forecast for the years 2015/16 to 2018/19 of 2.625 % and a wage price index of 3.4375%.

This compares with an increase in the CPI as reported by the ABS for the 12 months ended March 2015 of 1.3%.

The largest item in a Council's Operating Budget is generally employee costs, and if one were to assume a 50/50 split between wages and other costs, using State projections this produces an average projection of 3.03 % for the next 4 years.

Clearly the choice of either the historical CPI or projections will have significantly different impacts. Projections, if accurate, are more likely to reflect future needs.

There is also some discussion as to whether a Local Government Cost Index is more appropriate.

With a cap at CPI, once productivity improvements in a Council have been maximised, you would expect a reduction in staffing or service levels to occur.

### Cost Shifting/Infrastructure

Small rural councils are faced with the challenges of maintaining significant asset bases with a limited rate base which has been compounded of recent times by a freeze on Financial Assistance Grants and the recent termination of the State Country Roads and Bridges program.

Whilst rate increases will not replace this funding, the asset challenge of small rural councils is a real one and needs to be considered when designing a cap.

### What should it apply to?

It is felt that a cap should apply to rates, municipal charges and service charges. It should not apply to Special Charges where these are related to a specific project with a defined cost.

In relation to whether it should apply to revenue or rates and charges per assessment, Council has been mindful of rates and charges per assessment in recent years and would be happy if this applied.

In the case of revaluations, a new revaluation will apply from the next year and whilst revenue would be capped, residents would have difficulty in relating their results to the cap as there would be a range of increase (or decreases) in individual property outcomes.

### One year or multi year?

Depending on the complexity of any approval process, it may be advantageous to consider a multi-year approach, perhaps to line up with a Council's Strategic Resource Plan, which covers 4 years, with some flexibility if there was a major impact that occurred.

It has also been suggested that a tiered approach could work. If a Council wanted the base increase (whatever that was), then no questions asked; if it wanted an increase in a small range above that, some questions would be asked; but if more than that was requested, full submission to ESC. There have also been concerns raised about the costs of full submissions as experienced by other industries which would be a new cost item for councils.

### Transition

The ESC is required to complete its final report to Government by 31 October 2015. There will be a need for Government to respond fairly quickly (which may include legislation?) as many councils will be well into their Budget cycle and there will need to be sufficient time for any council that wishes to prepare a Variation Application to do so and have it assessed.

For this reason a transitional approach should be considered.

Yours sincerely



**David Roff**  
**Chief Executive Officer**