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24 August 2015

Dr Ron Ben-David
Chairperson
**Local Government Rates Capping and Variation Framework Review - Essential Services
Commission**
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Dr Ben-David,

**City of Casey Submission on 'Local Government Rate Capping and Variation
Framework'.**

Thankyou for the opportunity to consider and prepare a submission on the *Local
Government Rates Capping and Variation Framework Review – Draft Report Volume 1.*
From reviewing the Draft Framework it is clear that the Commission has considered the
various views of stakeholders, including Local Government, and has generally prepared a
well-designed and workable process for Council's to implement and deliver their budgets
in a rate capped environment.

The City of Casey welcomes the opportunity to provide the following submission to the
Draft Framework. It is considered that if these matters are addressed, the Rate Capping
and Variation Framework will more effectively ensure that Council and in turn the existing
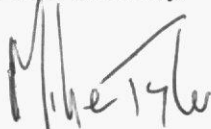and future Casey community benefit from such a system.

- The recommendation for a single cap for all Council's and the view that the Variation
  Framework is an appropriate mechanism to address individual Council circumstances
  is supported. It is considered however that this needs to be further enhanced by
  changes to the Variation Framework. Population growth and associated service and
  infrastructure needs have been specifically identified in the Terms of Reference for the
  Local Government Rates Capping Framework as a factor that may impact on local
  governments' short and longer term financial outlook. Amendments to the Variation
  Framework to specifically recognise this and to provide a greater weight to
  applications that can demonstrate this (and/or potentially other factors identified) is
  needed.

- That Draft Recommendation 2 (page 46) be amended to reflect the exclusion of
  Supplementary Rates from the rate cap in the year that they occur, with the full year
  impact to be allowed for in the subsequent year.

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- The application of the cap to the rates and charges paid by the average ratepayer is not preferred. It is recommended that the cap be applied on a 'rate in the dollar' increase.

- With respect to the cap comprising a combination of CPI and WPI to reflect Council's labour costs, this is supported. Given this acknowledgement of the different cost structure within a council budget, Council again recommends that cap should similarly reflect a construction index for part given the amount of infrastructure required to be delivered by Local Government. In the alternative, it is recommended that the Variation Framework be enhanced to have a higher regard, and give a greater weighting, to construction, capital and infrastructure requirements and the possible above CPI cost indexation associated with this. The ESC relies on the Variation Framework and the ability to consider infrastructure provision through this as a rationale for why construction is not currently addressed in the cap separately. The **Variation Framework could be improved accordingly in order for this to be clear. It is also considered that the proposed efficiency factor is too aggressive in the early years of the implementation of the Framework.**

- The use of the 2015/2016 as the base year and the commencement of rate capping from 2016/2017 is accepted by Council as it is acknowledged that this has been consistently put forward by State Government since its election in late 2014. The ESC however, also acknowledge the tight timeframes and intend to release the Final Report one month earlier (now due end of September 2015). Variations are also limited for the Framework's first year of implementation to be approved for one year only, with longer variations permissible from year two as council's become more familiar with the Framework. It is considered that given the acknowledgement that a one year variation in the first year is appropriate, this could be enhanced by providing specific and clearly articulated circumstances that may be considered under the Framework for a variation in the first year. This could address many of the Local Government concerns regarding existing commitments, contracts and the like that will make it challenging to implement a rate cap without transitional arrangements in the early years.

- The Variation Framework and Community Engagement Principles are considered to be generally sound. It is noted by the Commission that there are no circumstances under which Council's should be prohibited in applying for a variation. This is supported. Officers are recommending however, that the Draft Variation Framework **be amended as discussed earlier in this submission.**

- That the cost of implementing the scheme should be borne by the State Government. To reiterate Council's previous submission on the matter being that it would be unfair and perverse as the Framework is only required to implement a State Government policy.

- Clarification is needed with regard to the last principle of the Variation Framework 'integration into the council's long-term strategy'. This is going to be difficult moving forward from 2016/2017 because to imbed something into longer term planning without the certainty that any future application for a Variation will be successful will leave a funding shortfall.

Council appreciates the opportunity that has been provided to review and prepare a submission on the Draft Rate Capping and Variation Framework. If the Commission has any queries in relation to Council's submission please contact Council's Rate Capping Strategy Coordinator Kathryn Seirlis on 9705 5243.

Yours faithfully,

Mike Tyler
Chief Executive Officer