

## **Response to the Essential Service Commission consultation information relating to the Victorian Government Rates Capping Framework**

While we recognize that the rationale on which the draft framework is based relies on separating councils into categories, we are concerned that will be detrimental to the originally intended outcome that all Victorian ratepayers will have relief from the financial burden of excessive and increasing annual council rates charges.

Once variations, exceptions, exemptions, special circumstances etc. are built into the rates capping framework and policy, it is unlikely that a fair and equitable result for all ratepayers whether growth area or urban metro will be attainable.

Although geographically still 80% rural, Cardinia Shire is reported to be the second fastest growing municipality in Victoria, with a population growing daily in the government designated growth corridor plus further residential growth planned for the rural townships. The reality is that government growth policy has been exploited by land speculation and consequent residential development has taken place at an accelerated rate, much faster rate than is manageable by the responsible council. Spending priorities have favoured the urban development area while residents in the rural locations have to wait for their various needs and projects including roads and drainage maintenance are frequently delayed. Council's policy of incurring high debt to provide infrastructure for future projected servicing of urban population has contributed to the annual rates increases.

Many ratepayers are of the view that spending should be slowed to a more manageable level. Annual carryover of funding has occurred which seems to indicate that rates revenue is collected but not spent in the budget project year. Ratepayers are also of the opinion that while Council pre budget practice is to decide which projects, services, social programs, asset maintenance they want to carry out and what funding they will require, Council projected spending should be assessed on what financial resources are available and therefore we hope capping of rates will be a means of controlling that requirement.

There are a number of areas in Council spending where we believe economies could be achieved, and therefore improved transparency, accountability and communication with community would be a beneficial outcome of the capping of rates system when it is implemented. However, looking at your Variation data in the consultation paper we are concerned that our Council will be appealing on the grounds set out as 'legitimate factors' for exemption, as perhaps will other designated growth area municipalities and ratepayers are therefore unlikely to benefit from the proposed capping of rates framework and policy.

With reference to cost shifting, it has been very evident for several years now that has been happening in our municipality particularly due to provision of the growth infrastructure and services. Indeed it is fair to say state government has been leveraging on the value of our properties via our council rates, and of course the freezing or withdrawal of federal government grants funding is impacting on local ratepaying communities via their council budget. We are of the opinion that many services such as health, education, family welfare, and other previous responsibilities of state or federal government are now expected to be provided local councils and this needs to be more closely examined.

The current inquiry being conducted is very timely as the system of financial funding of huge and growing local communities with higher expectations from councils than previously delivered is becoming out of control with no restriction placed on councils or realistic limits to their rates revenue collection.

However, if the framework strategy is fragmented and varied to suit the claims for exemption from various councils, without addressing the central factors and requirements of accelerated population growth resulting in a virtually unmanageable pace of residential development, the resulting rates capping policy will be unfair and inequitable for ratepayers in growth area municipalities.

In summary, we would not support variations or exemptions. The capping of rates at CPI level could be reviewed after two financial years to ensure all Victorian ratepayers benefit equally. Government should regulate the pace of development throughout growth area municipalities. Incentives should be provided for councils to become more prudent in their financial management, i.e. government grants funding restored, government cost shifting discontinued. Planning controls over land speculation and developer pressure on councils reduced to remove financial impact of too rapid development.

The success of the framework will be in keeping it simple to begin with, reviewing its progress after implementation, and ongoing consultation with the community will be vital to ensure all ratepayers receive the benefit intended by the state government.

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