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13th May 2015

Local Government Rates Capping and Variation Framework Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000
Email: localgovernment@esc.vic.gov.au

Dear Sirs,

Local Government Rates Capping Framework (Framework)

We support the proposal for local government rates and charges to be capped to the rate of inflation. We are concerned that 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.

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.

The State Government proposal of capping increases to 6% is also grossly irresponsible and will only encourage Councils to increase by this amount automatically. Ratepayers typically do not get income increases to anywhere nearly match such regular cost imposts.

Annual rate-pegging has been in place in New South Wales for more than 35 years, is supported by both sides of politics and this provides a **workable model** on which a rates capping framework can be based. The rate peg is set by the government's Independent Pricing & Regulatory Tribunal which determines the maximum percentage amount by which a Council may increase its general income for the year.

The Essential Services Commission's Framework for capping of rates should be consistent with the VAGO report which stated: "A suitable and agreed sector cost index should be developed and used by all councils to promote greater transparency and comparability of increases in rates and charges". The Framework must include a productivity factor as is allowed in NSW.

Rates and charges are not the only means by which Councils receive an increase in annual revenue. For example, Councils also receive the benefit of supplementary income from rates and charges as new subdivisions and/or new houses and developments are completed. These additional sources of revenue should be considered in the development of the Framework.

If Councils have special circumstances and wish to increase rates more than the cost of inflation then the Framework should ensure that Councils have to rigorously justify the increase. 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.

Additionally the Framework should ensure that Councils should not be able to subvert the rate cap using methods such as increasing or introducing new charges and/or increasing borrowings without clearly justifying the increase.

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 must ensure that Local Government Victoria will carry out its responsibility in relation to these clauses and the Framework.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lindsay Coster', written in a cursive style.

Lindsay Coster