

To: localgovernment@esc.vic.gov.au

From: "Eustace"

Date: 11/05/2015

Subject: Local Government Rates Capping and Variation Framework Review

Dear Review Panel,

RE: Local Government Rates Capping Framework

I support the proposal for local government Council 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 Mornington Peninsula Shire Council (MPSC) has followed other Victorian Councils by constantly increasing rates and their Municipal Charges well in excess of Consumer Price Index (CPI) allowances. The main contention is that these Rate charges continue to compound following each year's increases, thus increasing the financial burden on every Council property.

The Herald Sun (18 March 2014) reported that "Councils have stung Victorians with Council Rate rises totalling more than \$2 billion above the rate of inflation over the past 10 years".

This exorbitant increase is placing a financial burden on families, individuals and businesses and is most stressful for retired ratepayers, unemployed, single parents, low-income households and those under financial pressures. Excessive Rates increases have continually occurred over the last 15 years since the forced Council amalgamations 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 and adds to the financial pressures of many ratepayers.

On top of these rate rises, MPSC has pushed up the Municipal Charge to the current amount of \$180 per household after increases over the past years. This is effectively a flat-tax subsidiary rate and a grossly unfair burden on 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, new dwellings and developments which increase their Capital Improved Values (CIV) on which Council Rates are calculated.

It is claimed by the MPSC that for every percentage of Rate increase that it equates to approximately \$1million in additional Rate revenue. In addition, services like the "Green Waste" bin service which was an opt-in agreement by individual rateable residential properties at additional cost, would be Rate neutral. The recently released MPSC Proposed Budget now sees this service in fact contributing to MPSC financial revenue. I personally see this as a breach of the original MPSC proposal for the service where if the serviced properties increased that the service charge would decrease. The way MPSC has approached this service charge is just systematic of the way Councils treat their ratepayers.

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 as it currently is where Councils increase rates at an unsustainable percentage. Any such increase should have a "sunset clause". That is, the increase should not continue ad-infinitum 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. It is not as if Councils are spending ratepayer and Council revenues in an efficient, sustainable and thoughtful manner. Just look at the cost of tenders which Councils agree to. This subject would certainly warrant an investigation by the relevant Government Department and a topic I would also make a submission with plenty of relevant examples.

Thank you for allowing me the opportunity to make comment of the subject of Rate Capping,

Yours faithfully

Leigh Eustace,