

13 May 2015

Local Government Rates Capping and Variation Framework Review  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
MELBOURNE 3000

*Submitted via email: [localgovernment@esc.vic.gov.au](mailto:localgovernment@esc.vic.gov.au)*

## **Local Government Rates Capping & Variation Framework Review**

---

The Moyne Shire Council submits the following comments in respect of the above review.

### **1. Cost Index**

- CPI is not an appropriate index
- Employee costs are a more significant component of council costs than is reflected by CPI
  - Employee costs represent 34% of Moyne's total annual cash flow.
  - Existing employee costs are predicted to rise by 3.74% from 2016/17.
- An index that more accurately reflects council costs must be applied. Factors that need to be taken into account include:
  - Enterprise Agreement movements
  - Cost shifting from other levels of Government
  - CPI data affecting local governments;
- The MAV developed Local Government Cost Index (LGCI) is a more appropriate index

### **2. Cap Exclusions**

- Not all rates and charges should be subject to the cap
- Where waste collection is market tested the service collection charge should be excluded
- Supplementary rates should be excluded as they represent new developments that generally impose additional service impacts on Council

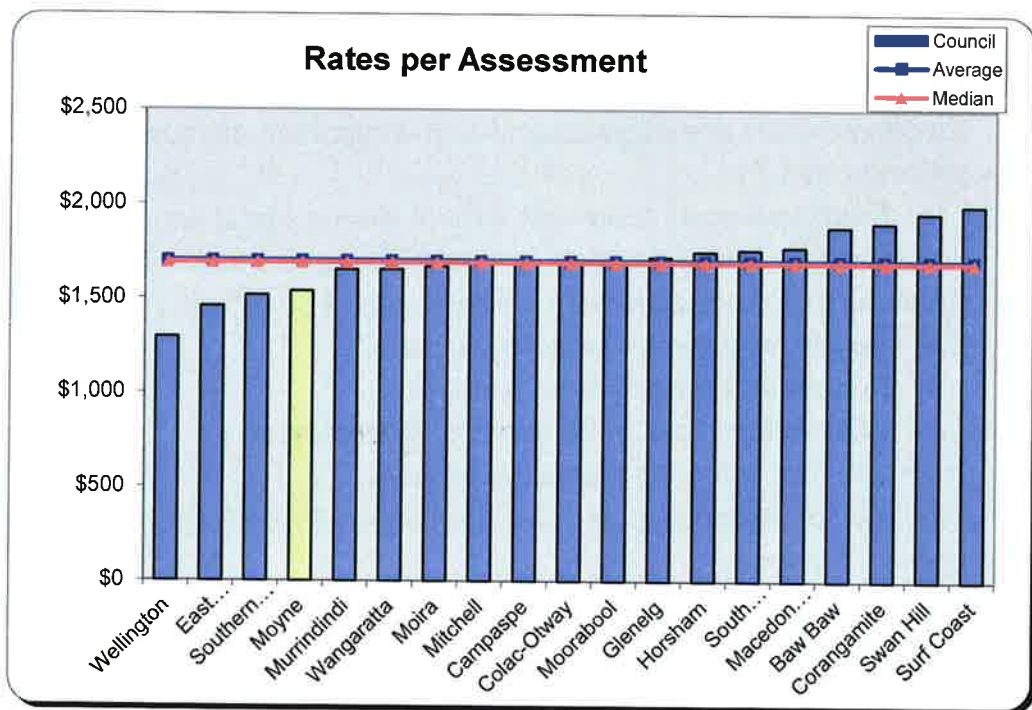
### **3. Cap Variation System**

- A simple (not complex) submission process for applying for reasonable increases above the cap is essential
  - An online form should be developed
  - Turn around timelines on applications must be clear and align with council requirements for Budget approval deadlines

- A council should be able to seek
  - An annual cap increase; and
  - Indicative future cap movements on the Council's rolling 4 year Strategic Resources Plan

#### 4. Variable cap

- The current level of rates and charges per assessment varies considerably across the state
- The differences in comparative rating levels must be recognized
- Councils that have been more prudent in the past should not be treated on the same basis as Councils that have been more expansive in their imposition of rates and charges in the past
- On rates per assessment for 2013/14 Moyne is \$1,538 compared to the average \$1,692 for large rural councils.



#### 5. Variation parameters

- Exceptions already identified by the Government include:
  - New infrastructure needs from a growing population,
  - Changes in funding levels from the Commonwealth Government,
  - Changes in State Government taxes and levies,
  - Increased responsibilities, and
  - Unexpected incidents such as natural disasters
    - *Increased responsibilities* must include the impacts of Commonwealth or State imposed service and facility requirements, such as:
      - EPA orders on landfill rehabilitations
- Closing the Council's infrastructure gap

**6. State Government must index State regulated fees and charges on an annual basis**

- For example, Town Planning Fees have been frozen for 6 years

**7. Cost Shifting must cease**

- Numerous past examples
  - Libraries, school crossings, HACC, pre schools, childcare, maternal & child health, roadside weeds

**8. Essential Services Commission**

- The rate capping plan is an initiative of the State Government. And imposes an additional layer of decision making on Councils
- It is not of Councils own making
- Accordingly Councils should not be expected to fund ESC costs of either determining the cap or as a consequence of submitting a cap variation application.

The Council appreciates the opportunity to submit comments on the Consultation Paper and looks forward to having a similar opportunity with the Commission's draft report.

Yours sincerely,



David Madden  
Chief Executive Officer