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6 May 2015

Dr Rob Ben-David  
Chairperson  
Essential Services Commission (ESC)  
Level 37, 2 Lonsdale Street  
Melbourne VIC 3000

Dear Dr Ben-David

**RE: POTENTIAL IMPACT OF RATE CAPPING ON REGIONAL COMMUNITIES**

RCV is a regional leadership group dedicated to building a sustainable Victoria through regional growth.

Comprising the Mayors and CEOs of the ten largest cities in regional Victoria – Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool and Wodonga, RCV is focussed on achieving real change in the regions through policy development and active implementation of those policies.

Regional cities play an important role in providing regional level services and facilities to the catchments outside of our own boundaries, which is critical to providing minimal level services to rural municipalities.

From our initial reading of the Essential Services Commission's (ESC) consultation paper, RCV is satisfied with the consultative process planned and is very pleased to have been invited to present to the Fairer Rating System Reference Group before final recommendations are made.

The ESC's preliminary report has already identified and agreed to address concerns raised by RCV (see listed below). However, there are also some obvious omissions.

RCV's concerns centre around the matters which ultimately impact sustainable development and growth in regional Victoria and the need for local councils to retain their autonomy in this area. The ESC appears to have recognised that councils are best placed to understand the needs and priorities of their local communities and in turn determine the best use of the limited funds available. And, although it does not wish to "interfere" with our relationships with local communities, the framework determined could negatively impact relationships in the future.

Government's policy in aligning council rates with the Consumer Price Index (CPI) is an issue with potentially concerning impacts on regional cities. The CPI is not a realistic measure of the costs associated with local government and as flagged in the ESC consultation report, an alternate index should be sought.

When determining "a credible variation process for councils that clearly demonstrate their need to go above capped increases", RCV members suggest a need for flexibility to the varying needs of individual councils.

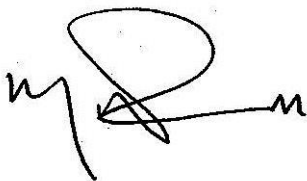
Appreciating that rate capping could lead to confusion regarding future process and how this will impact the establishment of budgets and upcoming infrastructure projects, we seek an assurance from the ESC that any changes will be aligned to council budget processes and that tight transitional arrangements will be made e.g. implementation over a two year period.

The ESC appears to be heeding warnings of the potential for increases in council debt which may impact our ability to maintain assets and services *over time* (similar to that which has occurred in NSW). However, of concern to RCV is that nowhere in the ESC's report is there mention of a potential reduction in *current resources* (jobs) which will have an immediate negative impact at the local level.

With reduced income there is a real risk to council continuing to offer social and community services, especially those delivered face-to-face. In addition, there is a potential inability to meet reasonable community expectations in relation to the maintenance and enhancement of local infrastructure. The increasing cost and volume of compliance obligations across a range of Acts (e.g. residential, emergency management, food, environment, domestic animals and public health) will also continue to impact council budgets and take resources away from these services.

RCV looks forward to the opportunity to expand further on the concerns of regional cities in relation to the Government's rate capping and variation policy, when we appear before the Reference Group.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Michael Neoh', written in a cursive style.

**Cr Michael Neoh**  
**Chairman**