

Local Government Rates Capping & Variation Framework Review.

Submission from the Australian Labor Party Combined Morwell and Traralgon Branches. 25 August 2015

Introduction

We congratulate the Victorian Government and the Essential Services Commission in reviewing the Election promise to cap Municipal rates. We support the recommendations in principle and make some **SUGGESTIONS** as well.

While rate and tax payers hate paying rates and taxes and the Media foster this attitude, the Essential Services Commission could promote the obligation for citizens to pay reasonable rates to ensure the compatibility of municipal services with and standards of modern day housing. We recall the words of the eminent economist JK Galbraith about “private affluence and public poverty”.

Moreover, the Voumard Inquiry into Local Government in Victoria recommended that Municipal Councillors should not be reluctant to increase rates where necessary. They could then provide rate concessions to ratepayers in necessitous circumstances.

DRAFT RECOMMENDATIONS

THE CAP

Draft recommendation 1

The Commission recommends that there should be one rate cap that applies equally to all councils in Victoria.

WE AGREE

Draft recommendation 2

The Commission recommends that:

- revenue from general rates and municipal charges should be subject to the rate cap
- revenue from special rates and charges, ‘revenue in lieu of rates’ and the fire services levy should not be included in the rate cap and
- service rates and charges should not be included in the rate cap, but be monitored and benchmarked.

WE AGREE

Draft recommendation 3

The Commission recommends that the cap should be applied to the rates and charges paid by the average ratepayer. This is calculated by dividing a council's total revenue required from rates in a given year by the number of rateable properties in that council area at the start of the rate year.

WE AGREE

Draft recommendation 4

The Commission recommends that the annual rate cap should be calculated as:

$$\begin{aligned}\text{Annual Rate Cap} = & (0.6 \times \text{increase in CPI}) \\ & +(0.4 \times \text{increase in WPI}) \\ & - (\text{efficiency factor})\end{aligned}$$

With: CPI = DTF's forecast published in December each year

 WPI = DTF's forecast published in December each year

The efficiency factor will initially be set at zero in 2016-17 but increasing by 0.05 percentage points each year from 2017-18. The Commission will undertake a detailed productivity analysis of the sector to assess the appropriate long-term rate for the efficiency factor.

WE AGREE TO THE USE OF CPI AND DTP. HOWEVER, WE CANNOT AGREE TO A DEDUCTION OF AN EFFICIENCY FACTOR IN A LABOUR INTENSIVE INDUSTRY. IT COULD ALSO LEAD TO COMPENSATORY PADDING IN THE ORIGINAL ESTIMATES.

Draft recommendation 5

The Commission recommends that the 2015-16 rates (general rates and municipal charges) levied on an average property should be adopted as the starting base for 2016-17.

WE AGREE

VARIATION

Draft recommendation 6

The Commission specifies individual events or discretion to apply for a variation.

recommends that the framework should not specify individual events or discretion to apply for a variation. The variation should remain with councils.

WE AGREE

Draft recommendation 7

The Commission recommends that the following five matters be addressed in each application for a variation:

- The reason a variation from the cap is required
- The application takes account of ratepayers' and communities' views
- The variation represents good value-for-money and is an efficient response to the budgeting need
- Service priorities and funding options have been considered
- The proposal is integrated into the council's long-term strategy.

WE AGREE. COUNTRY MUNICIPALITIES WITH LOW POPULATION DENSITIES, LARGE AREAS OF LAND AND RESIDENTS AND TREE CHANGERS DEMANDING CITY AMENITIES WOULD FIND IT IMPOSSIBLE TO EXIST WITHOUT THIS PROVISION FOR VARIATION.

Draft recommendation 8

The Commission recommends that in 2016-17, variations for only one year be permitted. Thereafter, councils should be permitted to submit and the Commission approve, variations of the length set out below.

First year of variation	Length of permissible variation
2016-17	One year (i.e. 2016-17 only)
2017-18	Up to two years (i.e. 2017-18 only or 2017-18 and 2018-19)
2018-19	Up to three years (i.e. up to 30 June 2021) 2019-20 and beyond Up to four years (i.e. up to 30 June 2023)

WE AGREE

Draft recommendation 9

The Commission recommends that it should be the decision-maker under the framework, but only be empowered to accept or reject (and not to vary) an application for variation.

THE IMPLICATION OF THIS CLAUSE IS THAT REJECTION OF AN APPLICATION FOR VARIATION IS THE END OF THE MATTER.

AN OPPORTUNITY SHOULD BE AVAILABLE FOR AN APPEAL OR REVIEW OR AMENDMENT OF THE VARIATION BY THE APPLICANT.

MONITORING

Draft recommendation 10

The Commission recommends that it monitor and publish an annual rates report on councils' adherence to the cap and any approved variation conditions.

WE AGREE

Draft recommendation 11

The Commission recommends that it monitor and publish an annual monitoring report on the overall outcomes for ratepayers and communities.

WE AGREE