5 April 2016

The Secretary
Environment and Planning Committee Legislative Council
Parliament House Spring Street
MELBOURNE VIC 3002

Dear Secretary

Inquiry into Rate Capping Policy

Thank you for your letter dated 29 February 2016 inviting submissions in relation to the impact on Council’s viability, service impacts, and provision of infrastructure as a result of the State Government policy of local government rate capping.

Revenue Reduction
In anticipation of fairer rate system Council adopted the 2015/2016 budget with a 4.5% rate rise, and a 10-year Long Term Financial Plan (LTFP) with 4.0% rate rises in each of the remaining nine years. The total rates and charges revenue estimated from 1 July 2016 to 30 June 2025 was $191.5 million. With the introduction of rate capping this will reduce to $179.6 million, a loss of revenue of $11.9 million.

Service Impacts
A loss of revenue of $11.9 million over 10 years will impact significantly on service delivery. Council is undertaking a Service Review program to analyse the impact and assess where service levels may need to be reduced.

Financial Sustainability
The previous Long Term Financial Plan modelling placed the Council in the low risk range based on the following Auditor General Ratios - Underlying Result; Liquidity; Indebtedness; and Self-financing. The impact of rate capping moves some of these ratios into the medium risk category including a reduction in working capital ratio as at 30 June 2024 from 243.8% to 133.9%.
Reporting requirements
Council recommends that the Victorian Grants Commission Return be used by the ESC, rather than the additional reporting requirement imposed by the ‘Annual Baseline Information’ questionnaire.

Rate Cap Advertising
The introduction of a rate cap in a valuation year will cause confusion for ratepayers in understanding their rates notices and increases. This will be further compounded by increases in the Fire Services Levy which isn’t capped. The additional media and ratepayer enquires will be another cost burden to councils.

Should you have any questions, please do not hesitate to contact Lucy Roffey, Director Corporate Support on [redacted]

Yours sincerely

[VICKY MASON]
Acting Chief Executive Officer