RE: Submission to the Inquiry into Rate Capping Policy

The State Government legislated Fair Go Rate Cap is an essential protection against excessive rate increases that are otherwise routinely imposed upon Victorian ratepayers by their various Councils.

The rate cap is a fair measure that was developed by the Essential Service Commission after extensive community consultation. It currently stands at 2.5%, whereas CPI for the 12 months to December 2015 is only 1.7%.

Hence we see that the rate cap at this time is some 47% greater than the current inflation rate.

Surely then any reasonable person would agree that the rate cap is set to a level that is fair and which allows responsible councils to continue business as normal without the need to cut staff or essential services.

Therefore I contend that if one argues for an exemption to the rate increase level as set by the Minister, then one must be arguing for an excessive rate increase.

Having perused many of the submissions presented to the Committee it is clearly evident to me that the submitters can be broadly divided into two groups thus;

1. Those who argue in favour of maintaining the Fair Go Rate Cap
2. Those who argue in against the Fair Go Rate Cap in favour of excessive rate increases

The submitters in group 1 appear to be predominantly ordinary individuals, and associations that represent ratepayers.

The submitters in group 2 appear to be predominantly Victorian Councils, and organisations that represent Victorian Councils.

Without the Fair Go Rate cap Victorian ratepayers will continue to be at the mercy of Victorian Councils.

As evidence of this I point out to the Committee the great reluctance that was shown by Bass Coast Shire Councillors, when in February this year they grudgingly agreed not to pursue their desired rate increase of 4.7%. A rate increase almost double the capped amount.

The Council backed down partly due to the overwhelming community opposition to yet another proposed rate hike. But more importantly, I believe that Council backed down because it knew that the ESC would not entertain a request for exemption in the face of such community opposition.

As further evidence I can advise the Committee that, at the March meeting of Bass Coast Shire, I asked if the elected councillors would agree to abide by the Fair go rate cap in future. Not a single Councillor would agree to do so.

If the Victorian Government had not implemented the protection offered by the Fair Go Rate Cap, then this Council would have continued to impose upon ratepayers the excessive rate increases already stated in Councils Long Term Financial Plan.

I note the submission from the Peri Urban Group of Rural Councils (PUGRC). This organisation writes on behalf of Bass Coast Shire Council (BCSC) and others. I do not agree with the assertions in their submission.

For example, point 5 “The Councils of our region are already under enormous pressure to deliver the more than 100 services the community expects.”
However, on its webpage relating to community comments and suggestions in regard to the rate cap consultation, BCSC states in part “Other threads of discussion included . . . that Council should reduce services to spend more on capital works”. I could further challenge the assertions made in the PUGRC submission if required.

I draw to the Committee’s attention a quote from the Local Government Ministers media release dated 12 April 2015 in which the Minister states “This is not about cutting staff and services. It’s about encouraging councils to get back to the things that matter to their communities.”

Yet BCSC has already commenced service reductions in complete defiance of the Ministers comments. Earlier this year Councillors used a closed session meeting to decree that the Wonthaggi Visitor Information Centre would be shut down and tendered out for other purposes. Unsurprisingly this has sparked much community anger toward Council, and it has further eroded community trust in Council.

All reasonable people can understand the need for reasonable rate increases. However, excessive rate increases are just one of many cost increases that burden families and wage earners. Not all of us are fortunate enough to enjoy the high level of wage growth that is enjoyed by Council CEO’s and executives.

Councils have become used to unrestrained rate increases. Quite simply they are grabbing at other people’s money and far too often are expending it in a profligate manner.

The Fair Go rate cap forces Victorian Councils to live within the means of their ratepayers. It is an effective, fit-for-purpose framework that gives ratepayers confidence in how their rates are being spent and assurance that they are receiving value for money.

If the Victorian Government discontinues or weakens the Fair Go Rate Cap system, then, as recent history demonstrates, Victorian Councils will resume imposing excessive rate increases upon their ratepayers.

I thank the Committee for considering my submission.

Yours sincerely,

Kevin Griffin.