6 July 2015

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 11 June 2015 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.

While it is difficult for Council to fully determine the impact on service, viability and infrastructure until the Rates Capping and Variation Framework is known, Council has already taken a number of steps to plan for reduced rate revenue.

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 previous LTFP was adopted in 2014 and was based on 6.0% in 2015/2016 and slight reductions to 4.50% in years 9 and 10 of the model. The cumulative effect of this change to the model has reduced revenue from rates by approximately $10.5 million over 10 years.

The adopted 10-year LTFP has projected cash balances of $8.48 million as at 30 June 2024, which is a reduction of $4.98 million from the previous model. The reduction in rate revenue has been offset partly by reduction in total employee costs, which would likely result in reduction of services.

The previous model placed the Council in the low risk range based on the following Auditor General Ratios, Underlying Result, Liquiditiy; Indebtedness; and Self-financing. The new model includes a number of medium risk ratios including a reduction in working capital ratio as at 30 June 2024 from 243.8% to 149.3%.

Council is conducting a project in the 2015/2016 financial year to develop and implement a Service Review Framework and undertake trial Service Reviews, which is designed to assist Council in meeting requirements of the Fairer Rating System.

Civic Centre
Cnr Lyttleton and Lloyd Sts
P.O Box 185 Castlemaine VIC 3450

t (03) 5471 1700
e info@mountalexandervic.gov.au
w www.mountalexandervic.gov.au
abn 12 966 477 062

A thriving community working together to create a sustainable and vibrant future
Council also intends to review and update its LTFP after the Rates Capping and Variation Framework is finalised, to assess any adverse impacts on financial sustainability, infrastructure renewal and service levels.

If you have any questions, please contact Lucy Roffey, Director Corporate Support on 03 5471 1717 or l.roffey@mountalexander.vic.gov.au.

Yours sincerely

PHIL ROWLAND
Chief Executive Officer