

## Is rate capping sustainable?

The ongoing impact of rate capping in Victoria will see Councils face an ongoing reduction in revenue raising capacity that will inevitably require reduction in expenditure and a reassessment of priorities, across the sector, in the next few years.

The McKell Institute has indicated “taxation limits (i.e. rate capping) now operating in NSW and Victoria has a number of harmful effects, as it lowers levels of efficiency, lowers rates of infrastructure renewal, increase debt and increase levels of jurisdictional inequity.”<sup>1</sup>

CT Management Group estimate the Victorian local government sector on average has lost approximately **\$2.0bn** in revenue raising capacity in the last 4 years with a further **\$13.7 bn** lost capacity from rate capping to occur in the next 10 years.

**With expenditure management the only available measure to counter this impact we are recommending Councils undertake service planning, review capital renewal and carefully evaluate new and upgrade capital investment as part of consideration of their long-term financial plan.**

**CT Management Group has the only financial planning product and methodology that incorporates a detailed review of service levels and their impact on long term costs. Through a rigorous assessment of demand, definition of levels of service and priority assessment we develop long term financial planning scenarios that ensure Council is financially sustainable.**

Accordingly, we are uniquely placed to assist Councils develop a strategic long-term financial plan that also enables community engagement around service priorities and capital investment.

NSW’s antiquated rate pegging system has been dealt another blow this week, after the Productivity Commission found the practice was holding the state back. The Commission’s review of infrastructure contributions found rate pegging was “a disincentive to development and growth”, and that NSW lagged significantly behind other states when it came to the provision of vital local community infrastructure.

Local Government NSW (LGNSW) President Linda Scott said the report found average NSW council rates stood at \$591 per capita in 2019, compared to an \$835 average for all other states. “This means our communities right across NSW are missing out on good local roads, footpaths, sports facilities, parks, and all the other infrastructure and service components they need,” Cr Scott said.

Bodies who have called for the outdated rate peg to be scrapped include NSW TCorp, the Planning Institute of Australia, the Committee for Sydney, the Sydney Business Chamber and the Western Sydney Business Chamber.

Will Victorian Local Government sector call for the abolition of rate capping?

In the long run compromising service levels or increasing borrowings to fund capital works will cost the community more both in economic and social terms!



Let's see what the Victorian long-term financial planning scenarios reveal!

1. Giving Local Governments the reboot - McKell Institute.