

**From:** Asher Judah [REDACTED]  
**Sent:** Thursday, 29 October 2015 9:40 AM  
**To:** EPC  
**Cc:** Sandra Qian; Hamish McKnight - Urbis  
**Subject:** RE: Environment and Planning Committee - Inquiry into Rate Capping Policy - TRANSCRIPTS  
**Attachments:** EPC Transcript\_PCA Amendments.pdf

Hi Annemarie,

Please find attached our transcript amendments (4) and answers to the ECPs questions.

**Mr Dalla-Riva to Mr Judah – In relation to your response to Recommendation 4, are you able to clarify why you opposed what the ESC suggested?**

The Essential Services Commission recommended in its draft rate capping framework that the annual rate cap should be calculated with a 40 per cent weighting applied to the Wage Price Index (WPI) to reflect the significant cost pressure faced by local governments in terms of labour costs.

The Property Council does not support the application of the WPI because we believe that the rate cap should encourage greater savings in labour costs, which could potentially fluctuate as a component of council expenditure going forward. Theoretically, should the weighting applied to council labour costs increase, the weighting applied to the rate of increase in CPI would decrease.

It is unclear whether the DTF adjustments to the WPI are made with reference to labour market estimates in the private sector, public sector or both. For the purpose of a council rate cap, the Property Council does not consider a WPI that includes private sector labour costs as an appropriate measure in understanding local governments' labour cost base.

**Mr Dalla-Riva to Mr Judah - In respect to Recommendation 7 and your response, can you talk about an RIS discipline? Can you give us some clarity as to how you propose that to be. Is it something for every council where there is a variation, or is it across the board?**

The Regulatory Impact Discipline would be applied to councils by the ESC where there is an application for variation, rather than across the board. The analysis would scrutinise whether the variation is necessary and applied in the most cost effective way. The RIS discipline should ascertain that any local government wishing to increase rate revenue at a level greater than CPI outlines their record of responsible financial management and accountability.

This could involve:

- Evidence that the council has first explored savings measures;
- Evidence that council has undertaken an audit of existing assets which could be recycled to unlock funding for investment; and,
- Evidence that the council expenditure over the past five years has not consecutively exceeded revenue forecasts.

Thanks

Regards

**Asher Judah** | Victorian Deputy Executive Director