

# Rate Capping

Make Local Government responsible.

## Support Rate Capping but make Councils responsible.

The evidence from Unley Council is that rate capping can work well. Rate capping done well helps to ensure lower rates and better services. Unlimited money is unlimited waste. Each Council could be required to set a rate cap and cut their costs to fit the income.

Unley Council in the 2015 -2018 term set a target rate and the cost of rate increases fell over the full four years.

If the State Government sets the rate cap across all Councils, then Councils can blame the State Government for poor services due to a perceived lack of money. Councils may also over borrow, leaving future

ratepayers in debt. This is bad for the ratepayers of SA. We need to ensure Councils are both responsible and accountable for the financial operation of Council. Councils must be made responsible to implement rate capping.

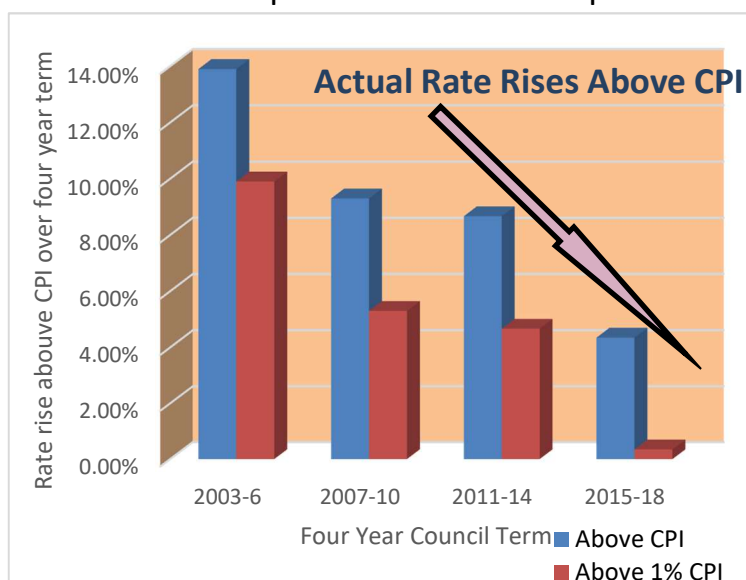
Interstate reliance on rate capping limits set by their State has demonstrated faults. A new method is proposed. Just add a rate capping regulation under 5(c) of the Local Government (Financial Management) Regulations 2011. Already these regulations require Council's Long Term Financial Plan, Annual Financial Statements and Budget to include sensible ratios. These ratios ensure a surplus, limited debt, and the upkeep of existing assets.<sup>i</sup>

### **Recommendation:**

**That the regulations in the Local Government<sup>ii</sup> Act be altered to include rate capping as one of the financial ratios Councils are required to include in their financial plans and budgets.**

To ensure Councils are responsible and accountable to their electorate, they may be required to set their own rate cap for three years ahead to support their long term financial plan.

- i. Councils would then face each election with a publicly known rate cap for the first two years of the new Council's budget.
- ii. Because Councils set their own rates they are not able to blame the State Government for poor services or financial mismanagement.



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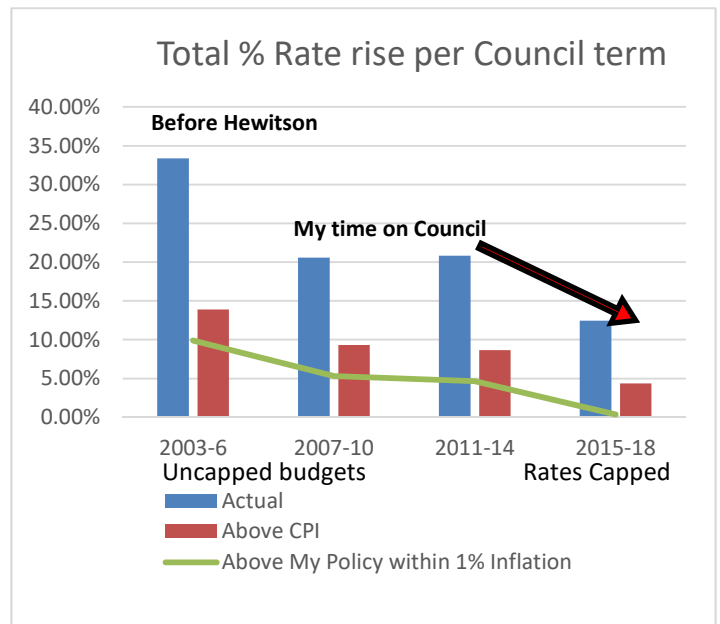
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Unley Council set the cap each year for the coming year. Rate capping by each Council would achieve

Actual and budget	Over four Years	Actual Residential	Above CPI	Above 1% of Inflation
Rate rise	2003-6	33.39%	13.90%	9.90%
Rate rise	2007-10	20.60%	9.30%	5.30%
Rate rise	2011-14	20.81%	8.67%	4.67%
Rate rise	2015-18	12.45%	4.35%	0.35%

the government's promise. However this decision was nearly overturned. <sup>iii</sup>

During the four years that Unley Council set a rate cap, debt was paid down and services improved. Real financial efficiencies were found now totalling over \$3.5 million per annum.



## ii Target Financial Indicators

Under the requirements of Regulation 5(c) of the Local Government (Financial Management) Regulations 2011, there is a requirement for Council's LTFP (Long Term Financial Plan) as well as the Annual Financial Statements and Budget to include:

- 1 An Operating Surplus ratio State Target >5%
- 2 A Net Financial Liabilities ratio, Target <80%
- 3 An Asset Sustainability ratio. Target >=100% =101%

Unley 2019 budget =5.1%  
Unley = 48%

## iii From June 2016 Council Minutes

**Without a regulation Rate Capping in Unley could cease. Only two more councillors supporting the motion would have ended rate capping in Unley.**

<https://www.unley.sa.gov.au/CityOfUnley/media/CoU-Media-Library/Agendas-Minutes/Full-Council/Council-Minutes-27-June-2016.pdf?ext=.pdf>

Cr Schnell seconds Cr Boisvert amendment to raise the rate by 0.5% from a 2.2% increase to 2.7% for the 2016-7 rates and the vote is lost.

4/7 "Those voting in the negative: Councillors Smolucha, Hewitson, Palmer, Hughes, Lapidge, Sangster and Rabbitt The AMENDMENT was declared LOST "

