



Fair Go Rates System

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Today's presentation

- Rate capping review process and final report
- Overview of the proposed framework
- Implementation (likely next steps)



Review and Final Report

- The ESC's review into a Local Government Rate Capping and Variation Framework occurred from February to September 2015
- Consultation paper released in April – 280+ submissions
- Draft Report released in July – 110+ submissions
- Extensive consultation across Victoria with sector and relevant stakeholders
- The ESC submitted its Final Report, *A Blueprint for Change*, to the Minister of Local Government and Minister of Finance on 30 September 2015
- The Final Report and the Government response was released on 21 October 2015. The Final Report and a link to the Government response are now available on our website esc.vic.gov.au
- Draft 'Fair Go Rates' Bill currently being debated in Parliament



Proposed Fair Go Rates System

THE CAP

- The Minister will set the cap each year. Maintains the flexibility to set different caps for a class of councils or individual councils. The Minister must request and have regard to the advice of the ESC when setting the cap(s).
- Cap will be based on DTF forecast of underlying CPI for the capped year, and may include a number of other factors (such as WPI and an Efficiency factor).
- Applies to revenue from general rates and municipal charges. The Minister will have the authority to expand the cap to include other categories of rates and charges at a later date, if necessary.
- The Cap applies to average rates per assessment (total revenue from general rates and municipal charges + annualised effect of supplementary revenue / number of rateable assessments)
- Key terms:
 - Average Rate Cap
 - Base Average Rate
 - Capped Average Rate



Proposed Fair Go Rates System

APPLYING FOR A HIGHER CAP

- Councils have the opportunity to apply to the Commission for a higher rate cap if they decide there is a need.
- No predetermined reasons for seeking a higher rate cap. Councils are best placed to determine need, in consultation with their communities.

The following matters be addressed in each application for a variation:

- The size of increase and year(s) that it will apply to
- the reason(s) a variation from the cap is required
- how the application takes account of ratepayers' and communities' views
- how the variation reflects the efficient use of the council resources
- what consideration has been given to alternative budgetary priorities and funding options and
- that the assumptions and proposals in the application are consistent with the council's long-term strategic planning and financial management instruments.



Proposed Fair Go Rates System

APPLYING FOR A HIGHER CAP

- Council may seek a higher rate cap for a period of up to 4 years. Except for 2016/17
- The Commission may accept or reject an application. In limited circumstances, the Commission may set an alternative (lower) rate cap



Proposed Fair Go Rates System

MONITORING & REPORTING

Key third element of system

- The Commission will monitor and publish an annual rates report on councils' compliance the average rate cap set by the Minister (or the Commission)
- The Commission will monitor and report on outcomes under the framework every two years. This report will focus on drawing together existing but disparate data on service outcomes, asset and infrastructure outcomes and financial sustainability outcomes.



Other matters (in current Bill)

Compliance

- If a council fails to comply with the cap, the Minister or the Commission will take this non-compliance into account in subsequent years
- In cases of serious non-compliance the Minister will be able to declare rates collected by the council invalid and initiate action to suspend the council

Information for ratepayers

- Amendments to the Local Government (General) Regulations 2015 will be proposed to require councils to include relevant information in rate notices about the cap and how the rates and charges being levied complies with that cap



2016-17 Implementation

Timelines for 2016-17 Rating Year

Release of further Guidance Material from the ESC	December 2015
The Minister announces 2016-17 cap	December 2015
Councils notify ESC of intention to seek a variation	January 2016
Council applies for a higher cap, submits budget baseline information	From 1 Feb – 31 March 2016
All councils submit annual baseline information	By 30 April 2016
ESC assesses council variation applications	Feb-May 2016
ESC notifies councils of decision	Within 2 Months of receipt
Councils consult on draft budget	Timing at councils discretion
Councils adopt budget	June 2016



2016-17 Implementation – Higher caps

- Applications must be submitted between 1 Feb - 31 March 2016
- The ESC will release Guidance Materials in December 2015
 - Overview of the FGRS
 - Applying for a higher cap
 - Reporting and Compliance Requirements



2016-17 Implementation – Higher caps

Applications for a higher cap must:

- Councils remain responsible for determining the mix and level of services they provide to the community
- The basis for assessment is drawn from existing obligations under the *LG Act 1989*, most notably the Best Value Principles and the principles of sound financial management
- The application process is, in a way, independent verification that councils have gone through appropriate budgeting, planning and consultation processes before raising their rates
- If not addressing a legacy problem (e.g. renewal backlog), application must be able to demonstrate what has materially changed (i.e. new or increased services, rising costs, changes to revenue)



QUESTIONS?

