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Chairperson's update

On 31 July we released **A Blueprint for Change** which is our draft report on a Local Government Rates Capping and Variation Framework.

The 'Blueprint' has drawn on our many discussions over the last few months with local government, ratepayers and representative organisations. These discussions have been particularly important as we have sought to fine tune the details of the proposed framework.

The framework places great emphasis on transparent, deliberative and consultative processes. We have done as much as possible to avoid imposing onerous and unnecessary obligations on councils. Instead, we are looking to rely largely on councils' own consultation and planning processes.

The 'Blueprint' is now open for comment and we will shortly commence another round of engagement across the state. Written submissions are also invited (due to us by 28 August).

In light of the timelines for implementing the framework in 2016-17, we have brought forward the conclusion of the review. We will now submit our final report to the Ministers for Local Government and Finance by the end of September. It will be made publicly available shortly afterwards.

The team and I look forward to our coming discussions with all those who have an interest in the design and implementation of the framework.

Dr Ron Ben-David
Chairperson

The draft Rates Capping and Variation Framework — an outline

The rates capping and variation framework is designed to meet the Government's commitment to cap annual council rate increases as well as to develop a workable process to assess any proposals by councils for increases above the cap.

A rates capping and variation framework should promote a transparent and

independently verifiable decision-making process with regards to the trade-offs involved in determining council rates. There are three components of the proposed framework:

- Rate cap
- Variation process
- Monitoring and reporting

The rate cap is the maximum annual rate of increase by which councils can increase the rates paid by their ratepayers

Under the proposed framework, the cap will be set annually. It will apply to general rates and municipal charges only; these account for about 88 per cent of the total rate revenue raised by councils in Victoria.

The level of the cap will be based on the forecast rate of increase in the CPI, together with an allowance for the wage price index. An efficiency factor will also be applied to the cap.

The 2016-17 rate cap will be based on the 2015-16 revenue from general rates and municipal charges.

The variation process is a mechanism for a council to apply for an increase in rate revenue above the rate cap

Under the proposed framework, councils will be able to apply to the Commission for a rate increase above the cap. The Commission, as an independent authority, will be responsible for assessing all applications.

Councils and their ratepayers are best placed to decide which circumstances justify applying for a variation. Our approach recognises there are differences between individual councils and the need for flexibility.

To succeed, councils will need to show that levying higher rates represents good value-for-money for their ratepayers and is an efficient response to an identified budget shortfall. Local engagement will be an important part of the variation process and any proposals will need to be integrated into the council's long term strategy. Applications will need to take into account ratepayer and community views.

Councils should only consider applying for a variation to increase their rate revenues after carefully assessing their other options.

Monitoring and reporting is a means for verifying compliance with the cap and providing accurate and reliable information about overall outcomes for ratepayers and the community

The Commission will collect information each year and make its findings known publicly on a regular basis. Reporting will include whether a council has adhered to the cap or the conditions of an approved variation above the cap, describing the relationship between rates and council performance in the areas of service and infrastructure delivery, and financial sustainability. This will also help address any unusual or unintended outcomes of the framework.

For more detail, refer to **A Blueprint for Change** available on our website at: esc.vic.gov.au see 'Local Government'

Submissions can be emailed to: localgovernment@esc.vic.gov.au

Rolling out the framework in 2016/17

	2015-16
ESC announces cap	December 2015
All councils submit baseline data (budget)	January 2016
Councils notify ESC of intention to seek a variation	January 2016
Council applies for variation, submits baseline data (budget)	March 2016
ESC assesses council variation applications	March-May 2016
ESC notifies councils of decisions	May 2016
Councils consult on draft budget	May 2016
Councils formally adopt budget	June 2016

Public Information Sessions

A key part in developing the final framework is seeking feedback from all interested parties on the draft framework. The Commission will hold a series of public information sessions across Victoria in August to obtain community and sector views. Interested parties are invited to make submissions to the Commission before 28 August 2015.

The public information session details are below:

Region	Day	Date	Time	Venue
Traralgon	Monday	10 August 2015	5:00-6:30pm	Premier Function Centre, 29 Grey Street, Traralgon
Melbourne	Monday	17 August 2015	5:00-6:30pm	Telstra Business Centre, 242 Exhibition Street, Melbourne
Wangaratta	Thursday	20 August 2015	5:00-6:30pm	Quality Hotel Wangaratta Gateway, 29-37 Ryley Street, Wangaratta
Bendigo	Wednesday	26 August 2015	12:00-1:30pm	La Trobe University Visual Arts Centre (VAC), 121 View Street, Bendigo
Horsham	Wednesday	26 August 2015	6:00-7:30pm	Horsham Golf Club 304 Golf Course Road Horsham

If you are interested in attending one of these information sessions to learn more about the draft framework, please register with the Commission by emailing localgovernment@esc.vic.gov.au or by telephone 03 9032 1300.