**Local Government - Rates Capping & Variation Framework**

**Response**

### THE FORM OF THE CAP

1. While a cap based on CPI is simple to understand and apply, are there any issues that we should be aware of?
2. What are some ways to refine the cap (for example, alternative indices), in line with the Government’s objectives?
3. Should the cap be set on a single year basis? Is there any merit in providing an annual cap plus indicative caps for the next two to three years to assist councils to adopt a longer term view in their budgeting and planning, particularly when maintaining and investing in infrastructure often takes a longer term perspective? How should such a multi-year cap work in practice?
4. Should the cap be based on historical movements or forecasts of CPI?
5. Should a single cap apply equally to all councils?

### THE BASE TO WHICH THE CAP APPLIES

1. What base should the cap apply to? Does it include rates revenue, service rates/charges, municipal charges and special rates/charges?
2. Should the cap apply to total revenue arising from these categories or on average rates and charges per assessment?
3. How should we treat supplementary rates? How do they vary from council to council?
4. What are the challenges arising from the re-valuation of properties every 2 years?
5. What should the base year be?

### THE VARIATION PROCESS

1. How should the variation process work?
2. Under what circumstances should councils be able to seek a variation?
3. Apart from the exceptions identified by the Government (namely, new infrastructure needs from a growing population, changes in funding levels from the Commonwealth Government, changes in State Government taxes and levies, increased responsibilities, and unexpected incidents such as natural disasters), are there any other circumstances that would justify a case for above cap increases?
4. What should councils need to demonstrate to get a variation approved? What baseline information should be required for councils to request a variation? A possible set of requirements could include:
	* the council has effectively engaged with its community
	* there is a legitimate case for additional funds by the council
	* the proposed increase in rates and charges is reasonable to meet the need
	* the proposed increase in rates and charges fits into its longer term plan for funding and services
	* the council has made continuous efforts to keep costs down.

We would like stakeholders’ views on whether the above requirements are adequate.

### COMMUNITY ENGAGEMENT

1. What does best practice in community engagement, process and information look like? Are there examples that we can draw from?

### INCENTIVES

1. How should the framework be designed to provide councils with incentives to pursue ongoing efficiencies and respond to community needs? How could any unintended consequences be minimised?

### TIMING AND PROCESS

1. A rates capping and variation process should ensure there is enough time for councils to consult with their ratepayers and for ratepayers to provide feedback, and for us to review councils’ applications. To ensure the smooth functioning of the rates capping and variation framework, it is particularly important that it aligns with councils’ budget processes. We are interested in stakeholders’ views on how this can be achieved.

TRANSITIONAL ARRANGEMENTS

1. What transitional arrangements are necessary to move to the new rates capping and variation framework? Is there merit in phasing in implementation over a two year period to allow for a smooth transition?

### ROLES

1. What are stakeholders’ views on the respective roles of the key participants?

Should the Commission’s assessment of rates variations be advisory or determinative?

### OTHER MATTERS

1. Is there a need for the framework to be reviewed to assess its effectiveness within three years time?
2. How should the costs of administrating an ongoing framework be recovered?

### OTHER MATTERS RAISED IN EARLIER CHAPTERS

1. We are interested in hearing from stakeholders on:
	* whether we have developed appropriate principles for this review
	* whether there are other issues related to the design or implementation of the rates capping and variation framework that stakeholders think are important
	* supporting information on the major cost pressures faced by councils that are beyond their control and the impact on council rates and charges.