

Inside this Issue

Chairpersons Update

The process so far

The Local Government Team

Emerging key issues

Key dates and upcoming consultation

Contacting the team

Important Dates

**July 2015**  
Draft Report

**July-August 2015**  
Consultation and public meetings

**October 2015**  
Final Report to Minister

**November 2015**  
Final Report publicly released

**Welcome to the first edition of the Local Government Rates Capping and Variation Framework Review e-Newsletter. We plan to produce these e-Newsletters regularly over the coming months to keep you updated on how our review is progressing.**

## Chairperson's update

In January 2015, we received a terms of reference from the Minister for Finance and Minister for Local Government to conduct a review into the design of a local government rates capping and variation framework. Our final report is due by the end of October 2015 with the expectation that the framework will take effect in the 2016-17 financial year.

In February, we released a discussion paper that laid out the approach we would be taking in conducting our review as well as the principles that would guide the design of the framework. Since then, I have presented those principles at numerous local government events and have been pleased to see that they have been well accepted.

In the meantime, Andrew Chow, our Project Director, and his team have been out to consult as widely as possible on the design features of the framework. These discussions have proven to be very fruitful (and occasionally, a little colourful too).

We are now moving into the next phase of our work program. This will see us release a draft report at the end of July which will include draft recommendations concerning the design of the framework. We will then 'hit the road' again as we seek to test our draft recommendations ahead of submitting our final report to Ministers.

Over coming months, we will continue to produce newsletters to inform you about the progress of our review as well as the issues with which we are grappling. We welcome any feedback you may wish to provide on the content of future newsletters.

Thank you for your support and encouragement so far. The team and I look forward to your ongoing engagement with this review.

**Dr Ron Ben-David**  
Chairperson



## The process so far

In April 2015, we released a Consultation Paper. This paper outlines the review's timelines, processes and our approach. The Paper sought feedback from all interested parties on key matters for the review. We have received close to 300 submissions in response. We would like to thank everyone who has responded. We are very appreciative for your considered and detailed submissions.

We have attended or held over 50 meetings in order to understand what is currently happening in the local government sector in Victoria in regards to rates and to outline our approach. Our consultations so far have included speaking to representatives from:

- Ratepayer associations and individual ratepayers
- Peak bodies in the local government sector such as MAV, LGPro and VLGA
- Unions such as the Australian Services Union, the Australian Nursing and Midwifery Federation and Professionals Australia
- Private sector representatives such as CT Management and the Victorian Civil Construction Industry Alliance
- Other peak bodies like the Victorian Farmers Federation and the Institute of Public Works Engineering Australasia

We have also met with the Fair Go Rates Reference Group, established by the Minister for Local Government, which consists of representatives from councils, local government peak bodies, unions, and ratepayer associations.

We have spoken directly to a number of councils. The team have had 17 one-on-one meetings with representatives from councils. Dr Ron Ben-David and Andrew Chow have both presented at various council group meetings and forums where staff and elected officials from 78 councils have been in attendance. These include meeting with the Inner Southern Metropolitan Group, Interface Council Group, Great South Coast Group and Rural Councils Victoria and presenting at the LGPro CEO Forum, VLGA Rate Capping Forum and the Australian Local Government Women's Association Conference. While we are trying our best to meet with as many councils as possible the tight timelines of this review will constrain us in having face-to-face meetings with every council. We will therefore continue working closely with the many peak bodies representing the sector.

We have also spoken to our colleagues in New South Wales at the Office of Local Government and the Independent Pricing and Regulatory Tribunal (IPART) as well as a few NSW councils to learn from their experiences with rate pegging.

## The Local Government team at the ESC

A small local government review team, headed by Andrew Chow, has been set up within the Commission. Andrew has been a Director at the ESC for many years and has worked in key sectors including gas, electricity, water and transport. He was also responsible for leading the team in developing a services reporting framework for local government in 2010 as well as our 2011 project on reducing the reporting burden on local government.

The team consists of Angelina Garces, Senior Regulatory Manager, and the review's Project Manager, and Regulatory Analysts Jason Fitts, Sonia Madamba, Kieran McIvor, Lisa Horsburgh and Liam Jackson. We are supported by our Project Administrator Robyn Keely. The team has a diverse background including economics, finance, engineering and social sciences and is well placed to tackle the challenging task we face. We also draw upon the expertise and technical advice of specialised consultants as required.

## Emerging issues

In our discussions to date, we have received a wide range of views on the key aspects of a rates capping and variation framework, including:

### What should the cap be?

- While a number of submissions disagree that the cap be confined to CPI, many submissions from ratepayers consider CPI appropriate
- Some suggest that an independently verifiable index be used (that more closely reflect the underlying costs of providing councils services)
- Opinions are divided as to whether there should be different caps for different groups of councils
- Views also differ about whether the cap be applied to total rates revenue or average assessment per property or rates in the dollar
- A number of submissions propose that waste/garbage charges not to be capped
- Many submissions are in favour of supplementary rates, which had been charged pro rata in the previous year, being “annualised” and kept by the councils
- Many submissions support indicative caps being forecasted for 2-3 years to align with the 4 year strategic resource plan
- A number of submissions highlight the unique challenges faced by the smaller rural councils, interface councils and peri-urban councils
- Questions have also been raised about the inclusion of an efficiency factor under a cap

### The Variation Process:

- Many submissions question what good practice community engagement looks like under the framework and some have provided examples of engagement for us to consider
- Most submissions agree that the variation process should be proportionate and be clearly specified to minimise ambiguity
- Opinions are divided about to whether the Commission’s decisions on above cap increases should be advisory or determinative
- None of the submissions discuss whether an appeal process is desirable or necessary
- A number of submissions proposed a transitional period to implement the framework over 2 years

### Cost Recovery:

- The majority of submissions suggested that implementation of the framework should not be funded by local government
- Other options suggested include a fixed fee (applicable to all councils irrespective of whether they seek a variation or not), or an application fee (for councils seeking a variation)

## Key dates and upcoming consultation

The next major milestone for us will be the public release of the review's Draft Report which is targeted for late July.

Once the Draft Report is released, we will be conducting a second round of consultations. We expect this will include meeting again with some of the parties we have already met as well as other

interested parties. We will also be conducting deliberative discussions with ratepayers and community members as well as hosting four public forums in Melbourne and the East, West and North regions of the state. The details of these public meetings will be published on our website and publicly advertised as we get closer to the dates.

Milestone	Timing	
Draft Report release	July 2015	Consultation and public meetings during this period
Submissions to Draft Report close (one month after Draft Report is released)	August 2015	
Final report is given to the Minister for Local Government and the Minister for Finance	October 2015	
Final report publicly release	November 2015	

## Contacting the team

Questions and queries to members of the Local Government team can be directed to [localgovernment@esc.vic.gov.au](mailto:localgovernment@esc.vic.gov.au) or to Robyn Keely on 03 9032 1300.