

Rate Capping ('The Fair Go Rates System')

A Quick Guide for Mayors and Councillors

The purpose of this guide by the Victorian Local Governance Association (VLGA) is to provide general information about rate capping and the variation process. The VLGA is a valuable source of information and support for councillors. You may contact the VLGA on 03 9349 7999 or by email at vlga@vlga.org.au. Further information about rate capping can be found at: www.vlga.org.au.

What is rate capping?

In 2015, the Victorian Government introduced rate capping legislation in the form of its "Fair Go Rates System" (FGRS). The FGRS introduces an annual rate cap set by the Minister for Local Government which controls general rate increases for all councils during that financial year.

On 22 December 2015, the Minister for Local Government, the Hon Natalie Hutchins MP, advised an annual rate for the 2016/17 financial year of 2.5 per cent.

What is a variation to the rate cap?

Councils have the option to seek a variation above the annual rate cap, through the Essential Services Commission (ESC), to support vital community services and infrastructure.

There are many reasons councils may choose to seek a variation:

- Funding vital infrastructure
- Supporting community services
- Asset and infrastructure renewal

The VLGA will work with those councils that seek a variation.

"As a Mayor or Councillor you, along with your councillor group, have the right to seek a variation."

How to seek a variation?

Councils must advise the ESC of their intent to seek a variation by 31 January. This can be as simple as written correspondence to the ESC by email, and you can always decide not to pursue a variation at a later date.

The ESC has released guidelines about the variation process. In developing a variation, Councils are asked to provide advice on your current budget, community plan, intended infrastructure and services investments and community engagement.

You must communicate your reasons for seeking a variation with your local community.

The ESC may ask for further advice or information.

The ESC will review applications. This will take into account a number of factors including the need for a variation, community consultation, value-for-money and how it is integrated within the longer-term council plans.

The final date to apply for a variation is 31 March; the ESC will finalise their assessment within a two month period upon receiving an application.