

Rate capping keeps rates down with ‘limited impact on services to ratepayers’

23 May 2019

Local government

A report on the outcomes of Victoria's rate capping system has found it has kept a lid on rate rises without having a significant impact on services to ratepayers and asset renewal.

The Essential Services Commission found annual growth in council rates per property slowed significantly since rate capping was introduced in 2016–17.

Commission chair Ron Ben-David says this first report on the outcomes of rate capping shows on average, the increase in rates has halved compared to the three years before.

"Our analysis shows the growth in per property rates revenue has fallen from an average of 5.2 per cent per year in the three years prior to rate capping to 2.4 per cent in 2016–17 and 1.9 per cent in 2017–18, roughly in line with the rate caps" he said.

The report also notes that after two years of rate capping:

- there has been a decline in the growth of rate revenue collected per property, but overall revenue growth has remained relatively stable largely due to population growth
- rate caps do not appear to have led to a notable increase in waste charges (which do not fall under the rate cap)
- council spending on capital and services has increased overall.

Dr Ben-David says while rate capping has kept a lid on average rate rises, nearly half of all

ratepayers experienced comparatively higher increases in 2016–17 mainly due to property revaluations in that year.

"Because rates are based on property values, increases in individual values that are comparatively higher than average will mean rate increases above the average.

"This affected around 46 per cent of ratepayers in 2016–17 while 39 per cent had lower rates in the same year," he said.

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Every two years, we report on the outcomes of rate capping in Victoria and identify any impacts or trends that might be emerging across the local government sector.

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[Our role in administering council rate caps](#)

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