

# Promoting efficiency in local government

**19 December 2017**

## *Local government*

The body responsible for administering the state's local government rate capping framework says a staged approach is the best way to set an efficiency factor to promote efficiency in the sector.

The Essential Services Commission provides advice to the Minister for Local Government on an appropriate rate cap for the year ahead based on the consumer price index and the wages price index, and an efficiency factor.

The commission's Andrew Chow says an efficiency factor is designed to promote productivity in the sector with any gains then being shared with ratepayers in the form of lower rates.

"We've been working with the sector and experts to look at different ways to estimate an appropriate efficiency factor.

"We found while each approach has strengths and weaknesses, there is not enough reliable data about the impact of rate capping on local councils at this time for us to confidently adopt some approaches," he said.

Mr Chow says while a number of councils and peak groups have differing views, we've been encouraged by the level of interest and participation in this work.

"There is some qualified support for adopting either a notional value or an efficiency factor based on results from data analysis

"There are limitations to fully adopting the data analysis approach at this time because the effect of

rate capping on the efficiency of councils is not fully known.

“A small notional value meanwhile is simple and predictable and consistent with the aim of encouraging the sector to pursue longer term productivity gains,’ he said.

Balancing the need for simplicity against a more complex but also more accurate model, the commission is proposing to adopt a national approach at this time, moving to a data analysis approach as more information becomes available.

## For general enquiries

Phone: [\(+61 3\) 9032 1300](tel:+61390321300) or [1300 664 969](tel:1300664969)

Email: [reception@esc.vic.gov.au](mailto:reception@esc.vic.gov.au)

You can also find us on [Twitter](#) and [LinkedIn](#).

## For VEU enquiries

Phone: [\(+61 3\) 9032 1310](tel:+61390321310) or submit a [contact form](#).

## For media enquiries

If you have a media enquiry, please contact:

**Michelle Bryne**

[michelle.bryne@esc.vic.gov.au](mailto:michelle.bryne@esc.vic.gov.au)

0437 677 385

(03) 9032 1324

**Clayton Bennett**

[clayton.bennett@esc.vic.gov.au](mailto:clayton.bennett@esc.vic.gov.au)

0447 933 140

## Subscribe

[Subscribe](#) to receive email updates from us, or [view our latest newsletters](#).

---

To learn more, visit [www.esc.vic.gov.au](http://www.esc.vic.gov.au)