

QUESTIONS AND ANSWERS

1. How much will my rates increase in 2016-17?

Under the *Fair Go Rates System*, the Minister for Local Government has set a cap on the average rate increase at 2.5 per cent for 2016-17.

As a result, apart from the six councils (listed in Question 3 response), the average rate increase for 73 councils should move broadly in line with the 2.5 per cent increase.

The average rate relates to a notional average ratepayer and is calculated by dividing a council's total rate revenue by the number of rateable properties in the municipality.

However, individual ratepayers' rate increases can vary from the average rate increase depending on:

- the valuation of your property relative to the valuation of other properties in the municipal district
- council's approach to distributing rates among different property classifications, and
- the inclusion of other rates and charges not covered by the Victorian government's rate cap.

2. Which councils will have higher increases and how much?

The Shires of Buloke, Moorabool, Pyrenees, Towong and Murrindindi, together with Horsham Rural City can increase their average rate up to the caps shown below for the 2016-17 year.

Council	Average Rate Increase for 2016-17
Buloke Shire Council	3.05%
Horsham Rural City Council	3.5%
Moorabool Shire Council	3.5%
Murrindindi Shire Council	4.3%
Pyrenees Shire Council	3.8%
Towong Shire Council	6.34%

We have approved these councils' applications for a higher rate increase because:

- they could clearly demonstrate a long-term financial need, supported by well-developed long-term plans, or
- they are financially constrained and have limited options in 2016-17 to offset clearly identified infrastructure or financial needs consistent with their long-term plans.

The reasons for approving or rejecting council applications are detailed in the individual decisions for each council which are published on our website www.esc.vic.gov.au.

3. Does that mean these councils will always have a rate increase above the cap set by the Minister for Local Government?

No. If these councils want to increase their rates above the Minister's cap in subsequent years they will need to re-apply and address the relevant matters set by legislation, including demonstrating a high level of regard to ratepayer and community views in their decision to apply, and that they have a long-term funding need that justifies a permanent increase to their rate base.

4. Can councils increase rates if the community does not agree?

Generally, councils will find it difficult to make a successful case for rate increases above the cap set by the Minister if they cannot demonstrate it is in the long-term interests of the community. In order to demonstrate this, they need to take into account community views and address any concerns the community may have.

Councils will need to work closely with their communities to develop rigorous long-term plans identifying their services and infrastructure expectations, while taking into account the communities' preparedness and ability to pay.

5. Isn't the Commission, a Government agency, overriding local council decisions on projects and services?

Under the *Local Government Act 1989*, councils are already required to have in place good financial, asset management and community engagement practices. When councils are already complying with these statutory obligations, the process to seek a higher cap will be supported by such measures.

The *Fair Go Rates System* promotes greater transparency of council's compliance with these requirements. It gives confidence to the community that when a council proposes a higher rate increase, it is based on rigorous financial planning systems, strong asset management frameworks and a demonstrated commitment to community engagement.

Further, whether specific expenditures identified by a council in its application proceed or not, is a matter that always remains within the full discretion of the council. We approve rates, not expenditures. Similarly, our decisions do not impose on councils a greater or lesser reliance on debt. Councils continue to determine matters of financial management.