

Fair Go Rates system – Compliance monitoring and reporting

Guidance for councils 2026–27

February 2026



Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

An appropriate citation for this paper is:

Essential Services Commission 2026, Fair Go Rates system – Compliance monitoring and reporting: Guidance for councils 2026–27, February

Copyright notice

© Essential Services Commission, 2026



This work, Fair Go Rates system – Compliance monitoring and reporting, is licensed under a Creative Commons Attribution 4.0 licence [creativecommons.org/licenses/by/4.0]. You are free to re-use the work under that licence, on the condition that you credit the Essential Services Commission as author, indicate if changes were made and comply with the other licence terms.

The licence does not apply to any brand logo, images or photographs within the publication.

Contents

About this document	iv
Monitoring and reporting on compliance with the rate cap	1
What information councils must provide to us	1
How we monitor and report on compliance with the rate cap	3
Monitoring and reporting on waste service charges	5
Appendix A: Background	7
Appendix B: The base average rate and the capped average rate	9
Appendix C: Worked example	12

About this document

The Victorian Government established the Fair Go Rates system in 2015 to limit the amount by which Victorian councils can increase rates in a year without seeking additional approval (see Appendix A for more information). Under the Fair Go Rates system, the Essential Services Commission must monitor and report on council compliance with the rate cap.

This document guides councils on how we perform our role. It explains how to calculate the base average rate and capped average rate, what information councils must provide to us, and how we monitor and report on compliance.

This document complements *Fair Go Rates system – Applying for a higher cap: Guidance for councils 2026–27*, which provides details on how to plan and make a higher cap application. Together, the two documents give councils the information they need to meet their obligations under the Fair Go Rates system for the 2026–27 rating year. We will update these documents for the 2027–28 rating year and will incorporate any necessary changes stemming from any legislative changes or review processes. We also welcome any feedback or suggestions from councils on how to improve this guidance or the rate cap compliance template.

Table 1 Key dates and timelines for the 2026–27 rating year

Fair Go Rates system — key dates	Timeframe
Base year	1 July 2025 – 30 June 2026
The minister announced the rate cap for 2026–27 (2.75 per cent)	23 December 2025 ^a
Councils seeking a higher cap notify us of their intention to apply	By 31 January 2026
Councils seeking a higher cap sends application	By 31 March 2026
We assess higher caps	February – May 2026
We publish our decision(s) on higher caps	Within two months of receipt of application
Capped year	1 July 2026 – 30 June 2027
Councils formally adopt budget	No later than 30 June 2026
All councils send annual compliance information	By 30 September 2026
We publish compliance report	Late 2026

^a The minister must announce the average rate cap by 31 December each year, unless an alternative date is determined by the minister and published in the Government Gazette.

Communicating with the commission

The local government team can be contacted via email localgovernment@esc.vic.gov.au or phone (03) 9032 1300 to respond to queries or requests for information.

All councils can expect to receive general information, enquiries and instructions from the commission about complying with the rate cap or applying for a higher cap.

We ask councils to nominate and maintain a key contact for these communications. We may also copy communications to the chief executive officer and the records area of each council.

Monitoring and reporting on compliance with the rate cap

What information councils must provide to us

All councils must submit the following documents to us by **30 September 2026**:

- Annual compliance information template 2026–27 (as an Excel file)
- Rating system reports as at 30 June 2026 and 1 July 2026
- A completed Better Practice Property & Rates Database Checklist
- CEO certification.

Councils should submit the annual compliance information to us by email at localgovernment@esc.vic.gov.au.

We may ask councils to provide additional supporting documents as necessary.

Annual compliance information template

A council must provide the following information in the annual compliance information template:

- Total valuations as at 1 July 2025, 30 June 2026 and 1 July 2026
- Number of rateable properties as at 1 July 2025, 30 June 2026 and 1 July 2026
- Number of municipal charge properties as at 1 July 2025, 30 June 2026 and 1 July 2026
- Rate(s) in the dollar for 2025–26 and 2026–27
- Municipal charge per property for 2025–26 and 2026–27.

The annual compliance information template will automatically calculate:

- General rates revenue as at 1 July 2025 and 1 July 2026
- Municipal charges revenue as at 1 July 2025 and 1 July 2026
- Annualised supplementary general rates revenue as at 30 June 2026
- Annualised supplementary municipal charges revenue as at 30 June 2026
- Base average rate
- Capped average rate
- Average rate increase.

The annual compliance information template can be found on our [website](#)¹.

Rating system reports

A council must provide rating system reports as at 30 June 2026 and 1 July 2026. These reports should include all information that council inputs to the annual compliance template, to the level of property numbers and dollars ± authorised adjustments.

If a council is unable to provide rating system reports, it must provide the Valuer-General Victoria 'Report of general valuation'.

The rating system reports allow us to verify the information included in the template, and they provide confidence to us and ratepayers that the correct information is being used to test compliance. Without either the required rating system reports or the Valuer-General Victoria 'Report of general valuation', we will not be able to assess whether a council is compliant.

Better Practice Property & Rates Database Checklist

The better practice property and rates database checklist can be found on our [website](#).² The checklist identifies measures we generally expect to be in place, to ensure that records of a rating system are complete, accurate, authorised and timely.

The checklist is based on better practice controls that several councils have adopted.³ We wish to promote practices which, we believe, will provide councils and ourselves with confidence in councils' compliance submissions.

Inability to confirm the existence of any controls **will not prevent us from considering a submission or determining whether a council is compliant**. Rather, the information provided as part of the checklist will help us to better understand councils' processes, direct our follow up questions if needed, and allow us to further refine our guidance and approach to assessing compliance.

¹ www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2

² www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2

³ In 2020, we completed a review of the processes councils follow to comply with rate capping requirements. This included an information-gathering survey of compliance practices, to which 66 councils responded, and meetings in person with staff of 12 councils, selected as representative of the sector, early in 2020. The checklist is based on council responses to the review.

Distribution of rate increases

The compliance template includes an information request for data on the distribution of rate increases. We use this information to explain how the average rate cap operates and show that rating outcomes will vary between individual ratepayers.

CEO certification

A council must provide a CEO certification. The certification confirms:

- that the annual compliance information template, rating system reports and better practice property and rates database checklist have been provided to and reviewed by the CEO
- that the data is based on a system with effective controls and fairly represents the basis for the council's rates
- that the data is public and can be published by us.

The CEO certification statement can be found on our [website](#).⁴

How we monitor and report on compliance with the rate cap

1. We check that the information in the annual compliance information template is consistent with the information in the rating system reports.
 - A council should explain any differences between the rating system reports and template in the 'notes' tab of the template (and provide supporting documents). If there are any unexplained differences, we will ask the council to explain and provide supporting documents.
2. We check whether the capped average rate does or does not exceed the base average rate by more than the rate cap.⁵
 - A council is compliant if the capped average rate does not exceed the base average rate by more than the rate cap (i.e. the average rate increase does not exceed the rate cap).
 - A council is non-compliant if the capped average rate exceeds the base average rate by more than the rate cap (i.e. the average rate increase exceeds the rate cap).

⁴ www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2.

⁵ The rate cap refers to the average rate cap or higher cap (if applicable).

We assess a council's average rate increase rounded to two decimal places consistent with the gazetted average rate cap.⁶

$$\text{Average rate increase} = \frac{\text{capped average rate} - \text{base average rate}}{\text{base average rate}} \times 100$$

3. We report each council as compliant or non-compliant in our annual compliance report. We may report non-compliance as material or immaterial.

What happens if a council is non-compliant

If a council is non-compliant, we will ask the council to provide a statement of explanation, which we will publish in our annual compliance report. In this statement, the council should consider explaining:

- the reason for non-compliance
- how the council might rectify the non-compliance
- how the council might improve systems and processes to prevent non-compliance in future years.

Repeated and substantial non-compliance

Failure to comply with the cap *in a single year* does not affect the validity of any rates or charges that the council levies in that financial year. However, if the minister is satisfied that a council *repeatedly and substantially* failed to comply with a rate cap, they may declare all or part of a council's rates or charges levied in a financial year to be invalid.⁷ Repeated non-compliance may also be grounds for a council's suspension by the minister.⁸ We may also consider it when assessing any future applications for a higher cap.⁹

⁶ See Victoria Government Gazette No. S 735 Monday 22 December 2025.

⁷ Section 185F(3) Local Government Act 1989

⁸ Section 230(2)(b) Local Government Act 2020.

⁹ Section 185E(6)(c) Local Government Act 1989.

Monitoring and reporting on waste service charges

Councils provide a range of waste management services, at varying levels of service, depending on community needs and council priorities. Councils also recover waste management costs through different revenue sources, including general rates, user fees and service charges.¹⁰ Most councils recover waste management costs primarily through service charges, which are not included in the rate cap.

How we monitor and report on service charges

There is limited data available publicly on councils' waste management revenue and costs. We therefore ask councils to provide details in the annual compliance information template each year. This information helps us to monitor service charges. We may use it to:

- understand changes in service charges over time
- help assess a council's higher cap application if it chooses to recover waste management costs through general rates and apply for a higher cap where these costs have increased above the rate cap
- report on trends and changes in our compliance report.

The purpose of our reporting is to inform interested parties on how councils are using service charges and to ensure that the rate cap is working as intended.¹¹

How we monitor and report on new waste service charges

Councils can introduce new waste service charges in a number of situations, such as:

1. to recover waste management costs that were previously recovered through general rates
2. to recover waste management costs that were previously recovered through general rates **and** to reflect changes in service levels or waste management costs
3. to recover costs for a waste management service that has not previously been provided by the council.

¹⁰ This chapter also applies to service rates.

¹¹ We are not collecting this information to assess councils' compliance with the Minister for Local Government's Good Practice Guidelines for Service Rates and Charges. The ministerial guidelines articulate the Minister for Local Government's view of good practice, but they are currently not mandatory for councils to comply with. It is a matter for councils to decide whether and how they want to comply with the guidelines. It is not our role to assess whether councils have complied with the guidelines.

We monitor the introduction of new service rates and charges to ensure movements in revenue between capped and uncapped rates and charges are transparent.

What information a council should provide to us and its community

If a council **plans** to introduce a new waste service charge, it should:

- inform us as soon as possible, and update us regularly
- undertake community engagement on the proposed changes
- ensure the new waste service charge has a neutral impact on ratepayers and does not result in a windfall gain to the council, for instance:
 - In the first situation above, the increase in revenue from service charges should match the decrease in revenue from general rates.
 - In the second or third situation, the increase in revenue from service charges may be higher than the decrease in revenue from general rates and charges and the council should explain why.
- revise its Revenue and Rating Plan to reflect the new waste service charge.

If the council **resolves** to introduce the new waste service charge, it should provide to us at the time of submitting the annual compliance information:

- information about the council's engagement process and outcomes, and how it accounted for ratepayer and community views
- information to demonstrate that the new waste service charge has a neutral impact on ratepayers
- revised Revenue and Rating Plan.

We will report on new waste service charges in our annual compliance report.

If it is clear that introducing the new waste service charge may disadvantage ratepayers as a whole, and the council cannot explain the apparent windfall gain that results, we may include the matter in our compliance report.

We encourage councils to contact us if they have any questions about our approach.

Appendix A: Background

The Fair Go Rates system

The Victorian Government established the Fair Go Rates system in 2015 to limit the amount by which Victorian councils can increase rates in a year without seeking additional approval.

The rate cap

Each year the Minister for Local Government sets the average rate cap for the following rating year by general Order.¹² The average rate cap is based on the forecast change in the consumer price index over the rating year to which the cap relates, plus or minus any adjustment.^{13,14}

A council can apply to us for a higher cap. If we are satisfied that the proposed higher cap meets legislative requirements, we set a higher cap by special Order. Guidance on applying for a higher cap can be found on our website.¹⁵

How the rate cap works

The rate cap limits the maximum amount a council can increase its *average rates* in a rating year. The rate cap applies to general rates and municipal charges only.¹⁶ It does not include other charges and levies such as service rates and charges, special rates and charges, revenue in lieu of rates or the fire services levy.

$$\text{Average rates} = \frac{\text{revenue from general rates and municipal charges}}{\text{number of rateable properties}}$$

¹² There may be a single cap for all 79 councils, or separate caps for individual councils or classes of council.

¹³ Under section 3 of the Local Government Act 1989, the consumer price index is defined as the forecast Melbourne consumer price index, as published in the budget update or the pre-election budget update prepared under the Financial Management Act 1994.

¹⁴ The legislation would allow, for instance, an adjustment for wage pressure or an efficiency factor.

¹⁵ <https://www.esc.vic.gov.au/local-government/higher-rate-cap-applications/guidance-councils-applying-higher-cap>

¹⁶ The minister has the power to prescribe other rates and charges to be included in the rate cap.

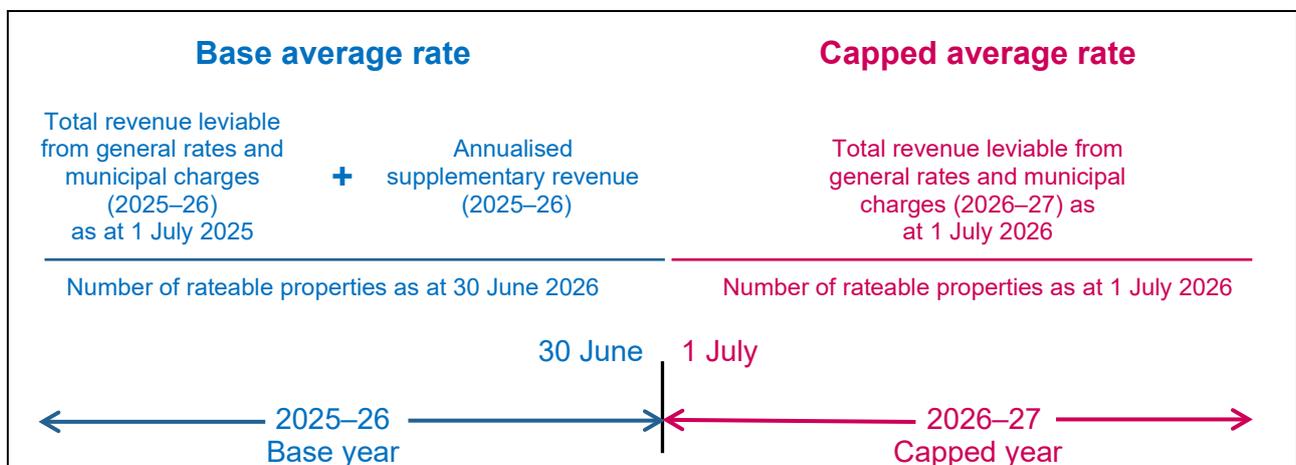
Appendix B: The base average rate and the capped average rate

Complying with the rate cap

A council must comply with the average rate cap set by general Order by the Minister for Local Government or a higher cap set by special Order by us (if applicable). To comply, the capped average rate must not exceed the base average rate by more than the average rate cap or higher cap.

Compliance with the rate cap in the capped year is calculated in relation to the base average rate in the preceding rating year. For the 2026–27 financial year, the base year is 2025–26 and the capped year is 2026–27. Figure 1 summarises the calculation of the base average rate and capped average rate for the 2026–27 financial year.

Figure 1 Summary of the base average rate and capped average rate



See appendixes B and C for more information on calculating the base average rate and the capped average rate.

Appendix B: The base average rate and the capped average rate

How to calculate the base average rate

The base average rate is the total annualised revenue leviable from general rates and municipal charges as at 30 June in the base year divided by the number of rateable properties as at 30 June in the base year. This calculation is shown below.

$$\text{Base average rate} = \frac{Rb}{L}$$

Rb = total annualised revenue leviable from general rates and municipal charges on rateable properties as at 30 June in the base year

L = number of rateable properties as at 30 June in the base year

For the 2026–27 rating year:

Rb = total revenue leviable from general rates as at 1 July 2025
(excluding any allowance for supplementary general rates revenue)

+

total revenue leviable from municipal charges as at 1 July 2025
(excluding any allowance for supplementary municipal charges revenue)

+

annualised supplementary general rates revenue as at 30 June 2026

+

annualised supplementary municipal charges revenue as at 30 June 2026

L = number of rateable properties as at 30 June 2026

Note: cultural and recreational land (as defined under the Cultural and Recreational Land Act 1963) is excluded from the calculation of base average rate.

How to calculate annualised supplementary revenue

Annualised supplementary general rates revenue

= (total value of land as at 30 June in the base year – total value of land as at 1 July in the base year)

x rate in the dollar

For the 2026–27 rating year:

= (total value of land as at 30 June 2026 – total value of land as at 1 July 2025)

x rate in the dollar (2025–26)

Annualised supplementary municipal charges revenue

= (number of rateable properties on which a municipal charge is leviable as at 30 June in the base year – number of rateable properties on which a municipal charge is leviable as at 1 July in the base year)

x municipal charge per property

For the 2026–27 rating year:

= (number of rateable properties on which a municipal charge is leviable as at 30 June 2026 – number of rateable properties on which a municipal charge is leviable as at 1 July 2025)

x municipal charge per property (2025–26)

How to calculate the capped average rate

The capped average rate is the total revenue leviable from general rates and municipal charges as at 1 July in the capped year divided by the number of rateable properties as at 1 July in the capped year. This calculation is shown below.

$$\text{Capped average rate} = \frac{Rc}{L}$$

Rc = total revenue leviable from general rates and municipal charges on rateable properties as at 1 July in the capped year

L = number of rateable properties as at 1 July in the capped year

For the 2026–27 rating year

Rc = total revenue leviable from general rates as at 1 July 2026
(excluding any estimate for supplementary general rates revenue)

+

total revenue leviable from municipal charges as at 1 July 2026
(excluding any estimate for supplementary municipal charges revenue)

L = number of rateable properties as at 1 July 2026

Note: cultural and recreational land (as defined under the Cultural and Recreational Land Act 1963) is excluded from the calculation of capped average rate.

Appendix C: Worked example

This section shows an example of how Council A would calculate its base average rate and capped average rate for the 2026–27 rating year.

The following assumptions apply:

- Council A does not have differential rates.
- Council A levies a municipal charge on all rateable properties.
- A revaluation will take effect from 1 July 2026 for the 2026–27 rating year. Overall, property valuations will increase by 4.85 per cent.

Council A – Calculating the base average rate	
Total value of land as at 1 July 2025	\$20,000,000,000
Total value of land as at 30 June 2026	\$20,600,000,000
Number of rateable properties as at 1 July 2025	43,000
Number of rateable properties as at 30 June 2026	43,600
Rate in the dollar (2025–26)	\$0.0035
Municipal charge per property (2025–26)	\$110
Total revenue leviable from general rates as at 1 July 2025	
= Total value of land as at 1 July 2025 * rate in the dollar (2025–26)	
= \$20,000,000,000 * \$0.0035	
= \$70,000,000	
Total revenue leviable from municipal charges as at 1 July 2025	
= Number of rateable properties as at 1 July 2025 * municipal charge per property (2025–26)	
= 43,000 * \$110	
= \$4,730,000	

Continued next page

Council A – Calculating the base average rate (continued)

Annualised supplementary general rates

= (Total value of land as at 30 June 2026 – total value of land as at 1 July 2025) * rate in the dollar

= (\$20,600,000,000 – 20,000,000,000) * \$0.0035

= \$2,100,000

Annualised supplementary municipal charges

= (Number of rateable properties as at 30 June 2026 – number of rateable properties as at 1 July 2025) * municipal charge per property

= (43,600 – 43,000) * \$110

= \$66,000

Base average rate

= (Total revenue leviable from general rates as at 1 July 2025

+ Total revenue leviable from municipal charges as at 1 July 2025

+ Annualised supplementary general rates as at 30 June 2026

+ Annualised supplementary municipal charges as at 30 June 2026)

/ Number of rateable properties as at 30 June 2026

= (\$70,000,000 + \$4,730,000 + \$2,100,000 + \$66,000) / 43,600

= \$1,763.67

Council A – Applying the rate cap

Minister's rate cap (2026–27)	2.75 per cent
-------------------------------	---------------

Number of rateable properties as at 1 July 2026	43,600
---	--------

Maximum allowable capped average rate for 2026–27

= Base average rate * (1 + rate cap)

= \$1,763.67 * (1 + 0.0275)

= \$1,812.17

Continued next page

Council A – Applying the rate cap (continued)

Maximum allowable revenue from general rates and municipal charges for 2026–27

$$\begin{aligned} &= \text{Maximum allowable capped average rate} * \text{number of rateable properties as at 1 July 2026} \\ &= \$1,812.17 * 43,600 \\ &= \$79,010,612 \end{aligned}$$

Council A – Calculating the capped average rate

Total value of land as at 1 July 2026	\$21,600,000,000
Number of rateable properties as at 1 July 2026	43,600
Rate in the dollar (2026–27)	\$0.0034297
Municipal charge per property (2026–27)	\$113.05

Total revenue leviable from general rates as at 1 July 2026

$$\begin{aligned} &= \text{Total value of land as at 1 July 2026} * \text{rate in the dollar (2026–27)} \\ &= \$21,600,000,000 * \$0.0034297 \\ &= \$74,081,520 \end{aligned}$$

Total revenue leviable from municipal charges as at 1 July 2026

$$\begin{aligned} &= \text{Number of rateable properties as at 1 July 2026} * \text{municipal charge per property (2026–27)} \\ &= 43,600 * \$113.025 \\ &= \$4,928,980 \end{aligned}$$

Capped average rate

$$\begin{aligned} &= (\text{Total revenue leviable from general rates as at 1 July 2026} \\ &+ \text{Total revenue leviable from municipal charges as at 1 July 2026}) \\ &/ \text{Number of rateable properties as at 1 July 2026} \\ &= (\$74,081,520 + \$4,928,980) / 43,600 \\ &= \$1,812.17 \end{aligned}$$