

Cap on council rates benefits ratepayers while sector remains in good financial health

A report on Victoria's council rate capping system has found ratepayers on the whole are benefitting while councils were in a good place financially to respond to the initial impact of the coronavirus pandemic.

The Essential Services Commission's report found that rate caps cut the average annual increase above inflation to zero per cent.

[The report shows](#) between 2016–17 when rate capping started and 30 June 2020, the financial health of the sector remained strong, putting councils in a good position to respond to the early stages of the pandemic.

The commission's executive director of pricing, Marcus Crudden says, based on the pre-cap trend, ratepayers are paying lower rates than they would have if rate capping had not been introduced.

“Average annual increases in revenue per property from rates and charges has fallen from three per cent in the three years prior to rate capping to zero per cent in the four years since.

The report found in general the sector's financial health remained strong, putting it in a position to meet short- and long-term liabilities.

Growth in total revenue increased in the first three years of rate capping, largely due to developer contributions and government grants, although rates and charges remain the main source of revenue for most councils.

Mr Crudden says councils were well placed to respond to the initial impact of the coronavirus pandemic, but many will face difficult decisions in coming years.

“Many Victorian councils kept rates below the approved cap this financial year, and some kept rates steady, in response to the financial difficulties possibly facing ratepayers.

“However, councils may face some difficult decisions to maintain their long-term sustainability if revenue growth does not bounce back from the impact of the coronavirus pandemic,” he said.

Fact sheets on each council's revenue, expenditure and financial sustainability before and after rate capping are available on [the commission's website](#).

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