



# Workshops with councils

November – December  
2018



# Today's workshop

1. Introduction
2. Complying with the rate capping framework (30 mins)
  - Timelines and process for the 2019-20 rating year
  - Updated guidance for councils 2019-20
  - Compliance
3. Update on outcomes report (30 mins)
4. Applying for a higher cap (30 mins)
  - Timelines and process
  - Application requirements

# Introduction



# Legislative context

- Fair go rates system was established in 2015.
- It limits the annual increases in Victorian local government rates.
- It is administered by the Essential Services Commission.

Local Government Act 1989  
No. 11 of 1989  
Part 8A—Rate caps

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## **Part 8A—Rate caps**

### **185A Purposes of this Part**

The purposes of this Part are—

- (a) to promote the long term interests of ratepayers and the community in relation to sustainable outcomes in the delivery of services and critical infrastructure; and
- (b) to ensure that a Council has the financial capacity to perform its duties and functions and exercise its powers.

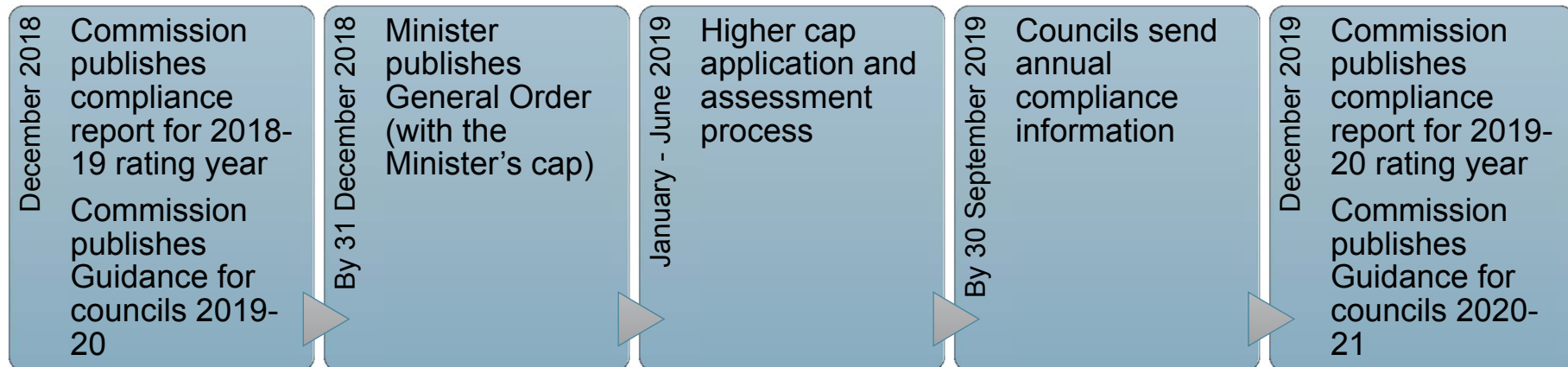
## Our role

- Provide advice to the Minister for Local Government on the rate cap and other matters
- Assess council applications for higher caps
- Monitor and report annually on council compliance with the Minister's cap or a higher cap approved by the commission
- Monitor and report biennially on outcomes in the sector under the Fair Go Rates system
- Provide guidance to the sector and undertake studies as required (e.g. productivity study, growth study)

# Complying with the rate capping framework



# Timelines and process for the 2019-20 FY



## Updated guidance for councils 2019-20

### **Areas of change to the guidance from last year:**

Restructured to clarify:

- Requirements of all councils
- Requirements of councils applying for a higher cap



# Updated guidance for councils 2019-20

## **Contents:**

1. Complying with the rate capping framework
  1. The cap
  2. Compliance
  3. Monitoring and reporting
2. Applying for a higher cap
  1. The process
  2. Application requirements
  3. How we assess applications

## Requirements of all councils

1. Comply with the Minister's rate cap or approved higher cap
  - Based on DTF's CPI forecast released in December
  - Our formula is  $\text{CPI (90\%)} + \text{WPI (10\%)}$
  - May's CPI forecast was 2.5%
  - In the past, the Minister has always used the CPI as the cap
2. Submit the annual compliance information template and rating system reports (as at 30 June and 1 July) by 30 September each year
3. Respond to information requests for the biennial outcomes report

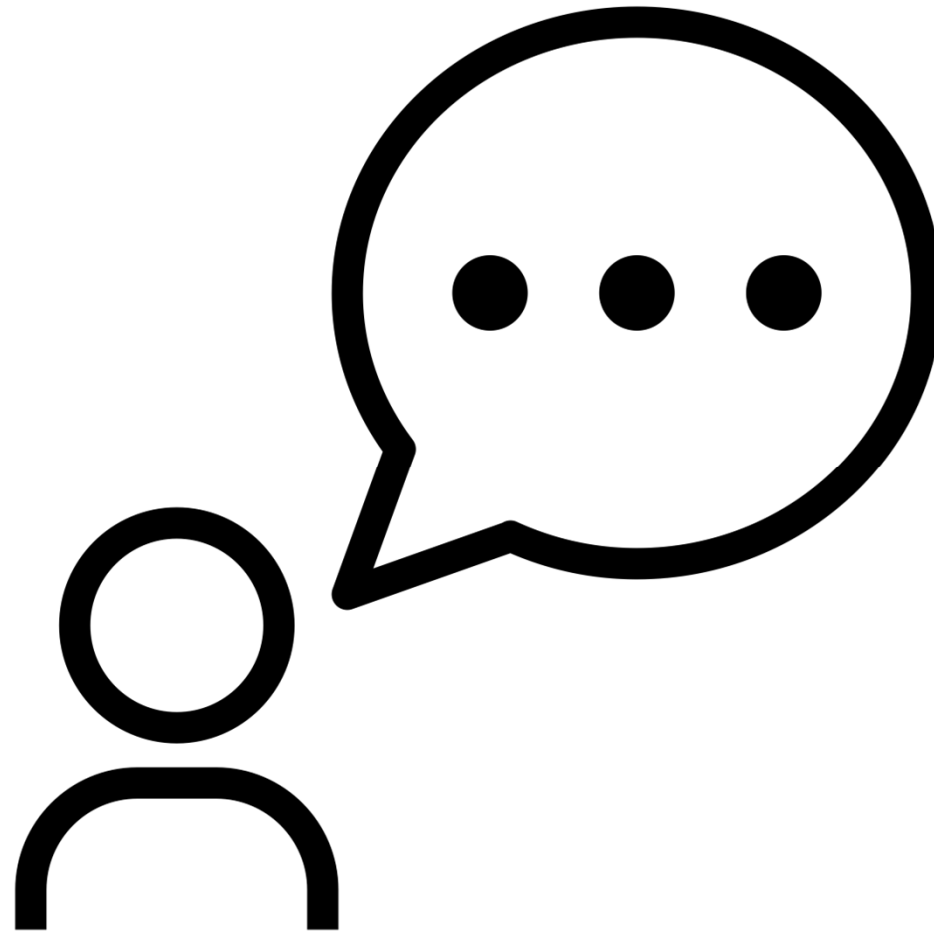
## Complying with the rate cap(s)

- As required by the LG Act:
  - compliance is based on actual figures (final certified figures) not budget figures
  - we must report non-compliance regardless of the magnitude
- The template and rating system reports **must** be signed by your council's CEO
- We may ask for additional information or supporting documents to ensure:
  - we are using the right numbers
  - we assess compliance fairly and consistently across all councils

## Complying with the rate cap(s)

- Councils should complete the template early to see whether they are compliant and talk to us if any issues are emerging
  - do this after receiving final certified figures - don't wait until September
  - councils can (and do) adjust rates in the dollar after adopting their budgets to ensure they are compliant
- We will be undertaking random audits of councils in early 2019 to understand the processes councils have in place to ensure they are compliant with the rate cap

Questions?

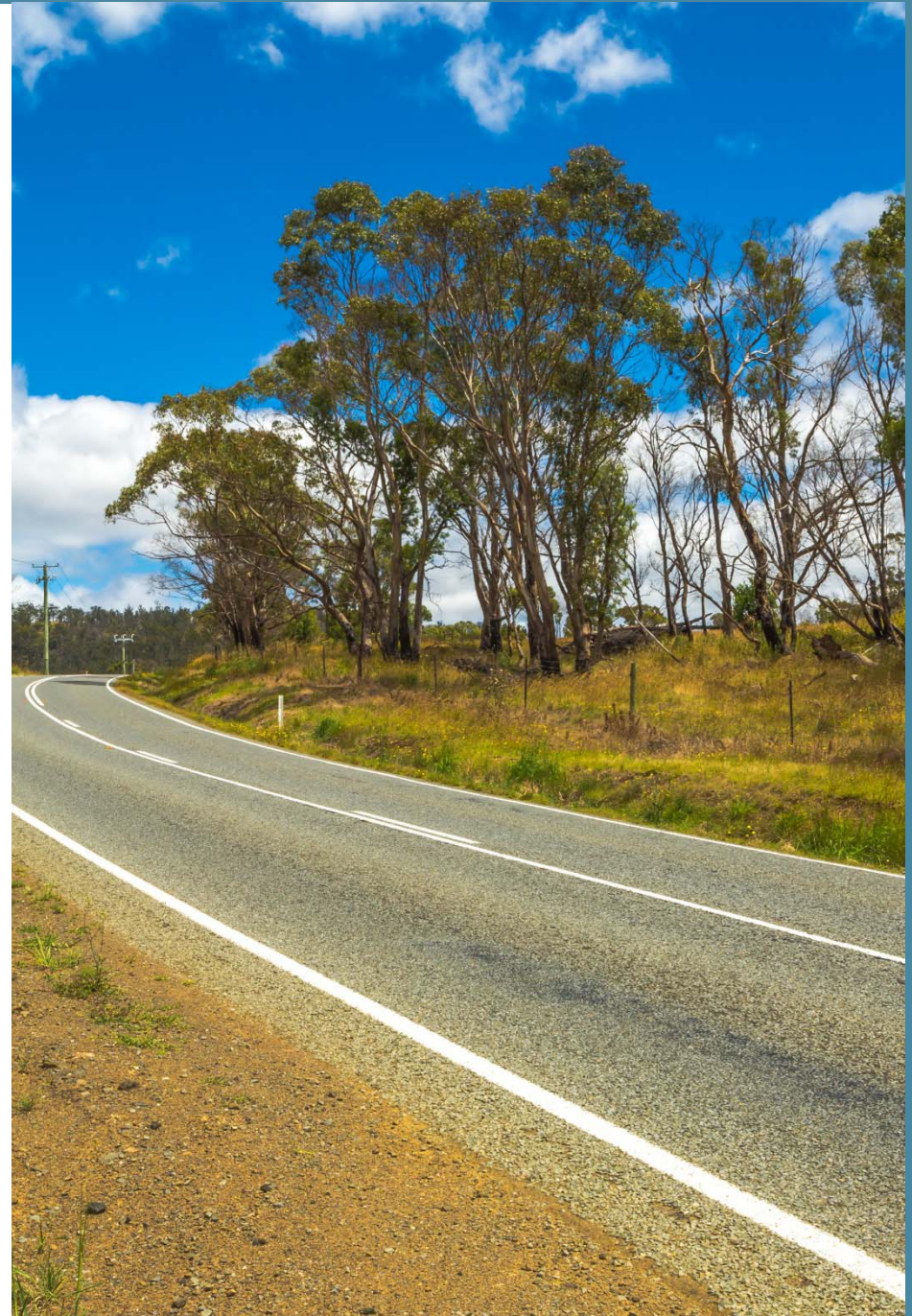


# Update on outcomes report



The purpose of the outcomes report:

To inform communities, councils and the Victorian Government about councils' service, infrastructure and financial outcomes following the introduction of rate capping.



## What we have done so far

### 1. Data analysis

- Identification and selection of measures
- Trialling data presentation options

### 2. Stakeholder engagement

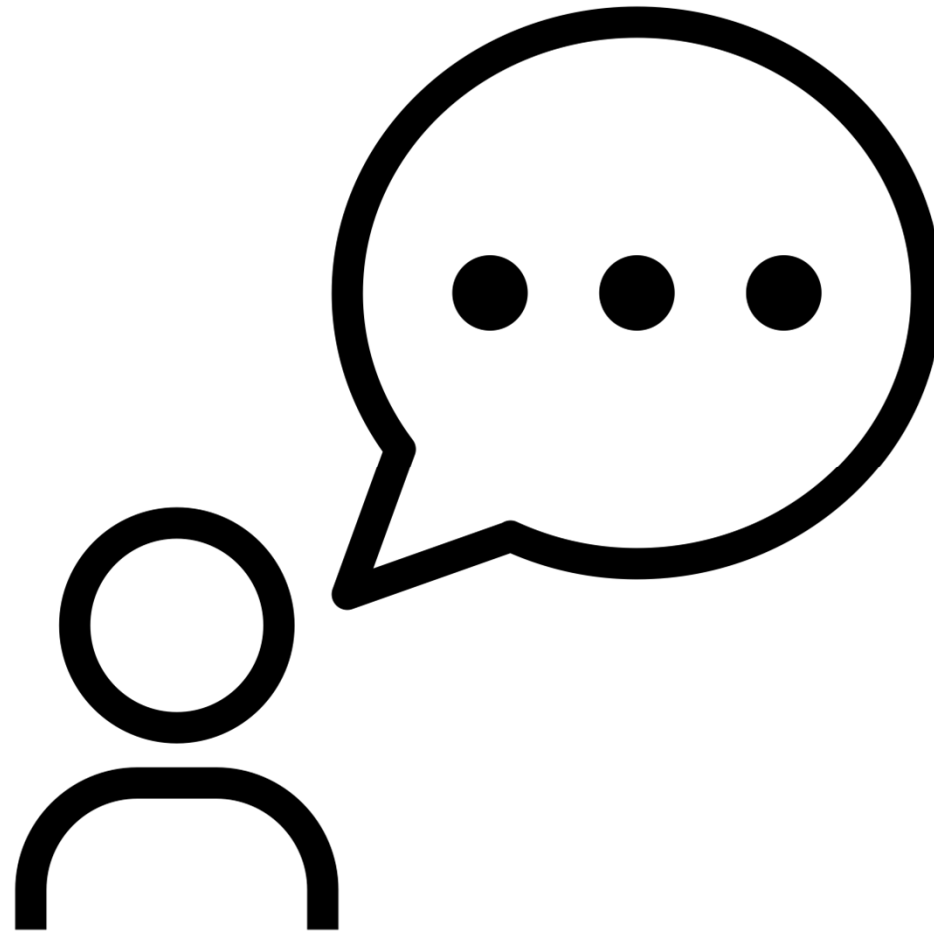
- Community and ratepayer research project
- Survey of council and peak body staff
- Workshops with councils



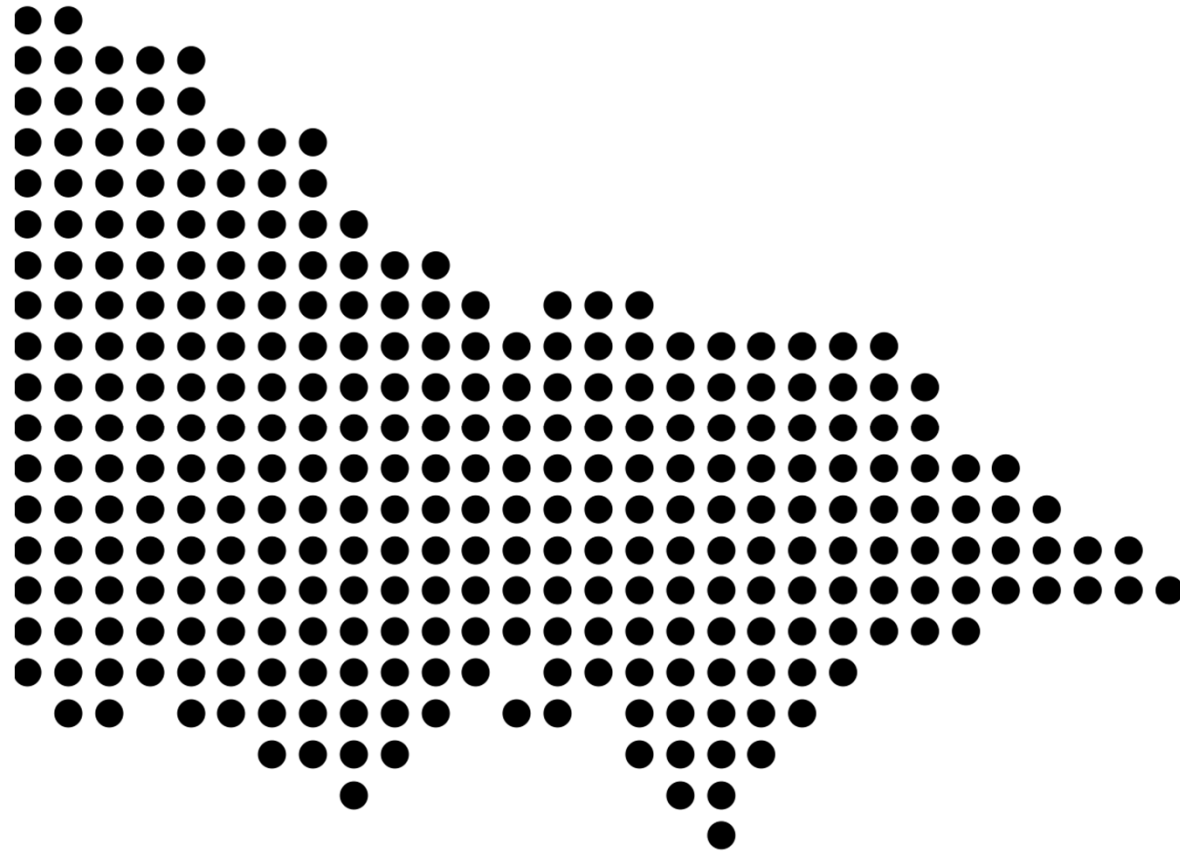
# Timelines

Milestone	Expected timing
Community and ratepayer focus groups	October – November
Survey of council staff and council workshops	November – December
Determine measures to report and presentation methods	August – December
2017-18 data availability	November – December
<b>Report finalised and published</b>	<b>Early 2019</b>

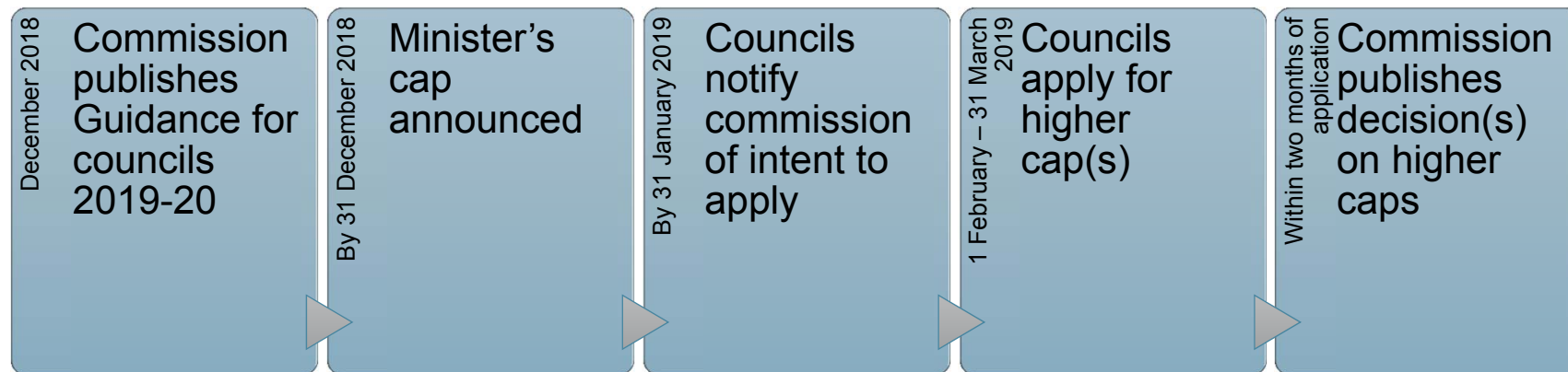
Questions?



## Applying for a higher cap



# Timelines and process for 2019-20 rating year



As needed: pre-application meetings with councils

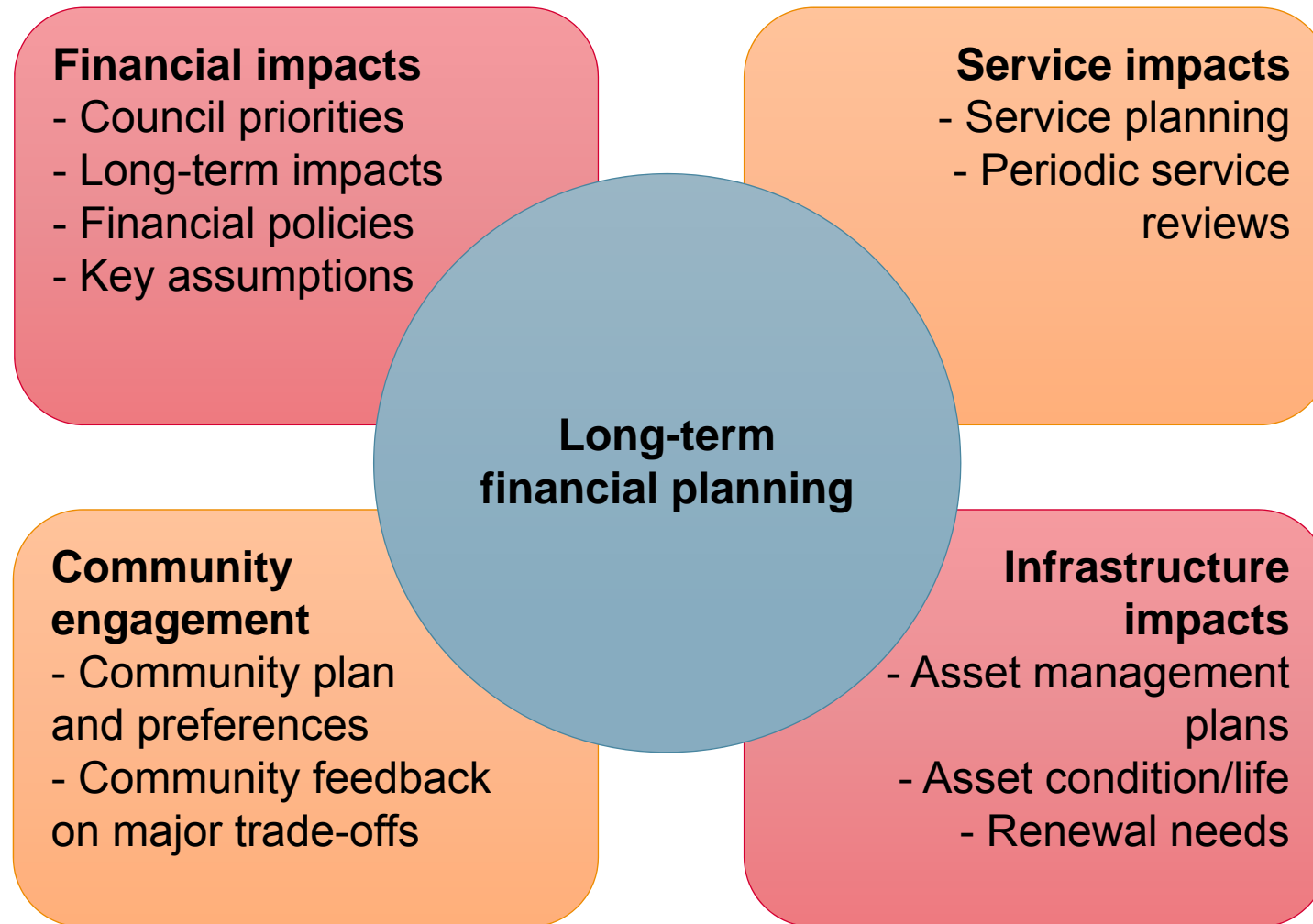
## Expectations of higher cap applications

- Councils may apply for up to four years of higher caps
- Long-term financial need has been demonstrated
- Councils have taken appropriate steps to ensure their plans are robust, efficient and reflect outcomes from community engagement
- Each legislative matter has been addressed

### Legislative matters

1. Proposed higher cap
2. Reasons
3. Engagement
4. Efficiency and value for money
5. Alternative funding and offsets
6. Long-term planning

# Integrated long-term financial planning



## Key engagement principles

We focus on a principle-outcome-based approach, not specific techniques.

An engagement program should:

1. contain clear, accessible and comprehensive information and follow a timely process to engender feedback from the community
2. be ongoing and tailored to community needs
3. prioritise matters of significance and impact
4. lead to communities becoming more informed about council decision-making.

## Our expectations on engagement

- Applications must show an engagement plan (what, why, when and how).
- Applications need to explain how feedback influenced council decision making, and if not, why. An application should explain how council will manage any unmet community expectations.
- We also expect councils to engage on major trade-offs (e.g. between services, infrastructure, and/or financial impacts)
- Over time, we expect engagement to be integrated with council's budgetary and corporate planning processes



# Application requirements

- ❑ Application cover sheet
- ❑ A statement addressing the six legislative matters
- ❑ Budget baseline information – consolidated financial information on services and assets, incl. forecast actuals for base year and year(s) in which the cap(s) will have effect
- ❑ Any other supporting documentation such as:
  - key strategic planning and budgetary documents
  - relevant policies and procedures
  - records of engagement plans, tools and outcomes

## Resources to help you

- **Guidance for councils 2019-20**
- Community engagement resources
  - Engagement case studies
  - Engagement tips for councils applying for higher caps
  - Developing an engagement plan in the context of rate capping
  - Examples of engagement tools and techniques
  - Higher cap application engagement narrative map
  - Deliberation at scale: principles and practical ideas for small rural councils
  - Resources from our community engagement forum in Bendigo, 2017
- The local government team at the commission

## Assessing applications

Our role is to assess any application for a higher cap and to decide whether the proposed higher cap is appropriate.

Our assessments are based on:

- our statutory objectives to promote the purposes of the rate capping framework
- the six legislative matters
- the council's compliance history
- the council's compliance with the commission's application requirements

## Assessing applications

We may make requests for further information

- written requests 2-3 weeks after application is received
- informal contacts for minor clarifications via phone or email

We may engage external expertise to assist our analysis

- financial and accounting
- infrastructure maintenance and planning
- corporate planning
- community engagement

We may publish advice received along with the decision

Year 1: 2016-17	Rate increase requested (Minister's cap – 2.5%)	Reason for application	Decision	Approved higher cap
Ballarat	3.7% (an additional \$1.03m)	<ul style="list-style-type: none"> <li>Asset renewal</li> <li>Developer contributions plan</li> </ul>	Not approved	-
Casey	3.47% (an additional \$1.6m)	<ul style="list-style-type: none"> <li>Two capital projects</li> </ul>	Not approved	-
Wyndham	4.5% (an additional \$2.9m)	<ul style="list-style-type: none"> <li>Issues related to growth in the area</li> </ul>	Not approved	-
Murrindindi	5.4% (an additional \$451k)	<ul style="list-style-type: none"> <li>Infrastructure renewal reserve</li> <li>Maintain current service levels</li> </ul>	Approved in part	4.3%
Buloke	3.05% (an additional \$56k)	<ul style="list-style-type: none"> <li>Repay its borrowings</li> <li>Provide working capital to remain financially sustainable</li> </ul>	Approved (qualified)	3.05%
Horsham	3.5% (an additional \$221k)	<ul style="list-style-type: none"> <li>Asset renewal gap — particularly roads and related infrastructure assets</li> </ul>	Approved (qualified)	3.5%
Pyrenees	3.83% (an additional \$97k)	<ul style="list-style-type: none"> <li>Road infrastructure asset renewal (in particular sealed surfaces)</li> <li>Reduce the infrastructure renewal gap</li> </ul>	Approved (qualified)	3.83%
Moorabool	3.5% (an additional \$259k)	<ul style="list-style-type: none"> <li>Long-term financial sustainability</li> <li>Asset renewal gap</li> <li>Additional investment in new and upgrade assets</li> </ul>	Approved	3.5%
Towong	6.34% (an additional \$242k)	<ul style="list-style-type: none"> <li>To continue to provide services and infrastructure maintenance and renewal</li> </ul>	Approved	6.34%

Year 2: 2017-18	Rate increase requested (Minister's cap – 2%)	Reason for application	Decision	Approved higher cap(s)
Pyrenees	2017-18: 3.5% 2018-19: 3.5% (an additional \$356k)	<ul style="list-style-type: none"> <li>Road infrastructure asset renewal (gravel roads)</li> </ul>	Approved	2017-18: 3.5% 2018-19: 3.5%
Hindmarsh	2017-18: 4% (an additional \$144k)	<ul style="list-style-type: none"> <li>To help manage assets and deliver services</li> </ul>	Approved	2017-18: 4%
Queenscliffe	2017-18: 4.5% (an additional \$150k)	<ul style="list-style-type: none"> <li>To ensure financial risks can be addressed in the long term</li> </ul>	Not Approved	-
Towong	2017-18: 5.55% 2018-19: 5.55% 2019-20: 5.55% 2020-21: 5.55% (an additional \$2.5m)	<ul style="list-style-type: none"> <li>Continue to deliver services at existing levels and remain financially sustainable.</li> </ul>	Approved	2017-18: 5.55% 2018-19: 5.55% 2019-20: 5.55% 2020-21: 5.55%
West Wimmera	2017-18: 3.5% 2018-19: 3.5% 2019-20: 3.5% 2020-21: 3.5% (an additional \$1.04m)	<ul style="list-style-type: none"> <li>Maintain services</li> <li>Asset renewal</li> <li>Long term financial sustainability</li> </ul>	Approved	2017-18: 3.5% 2018-19: 3.5% 2019-20: 3.5% 2020-21: 3.5%

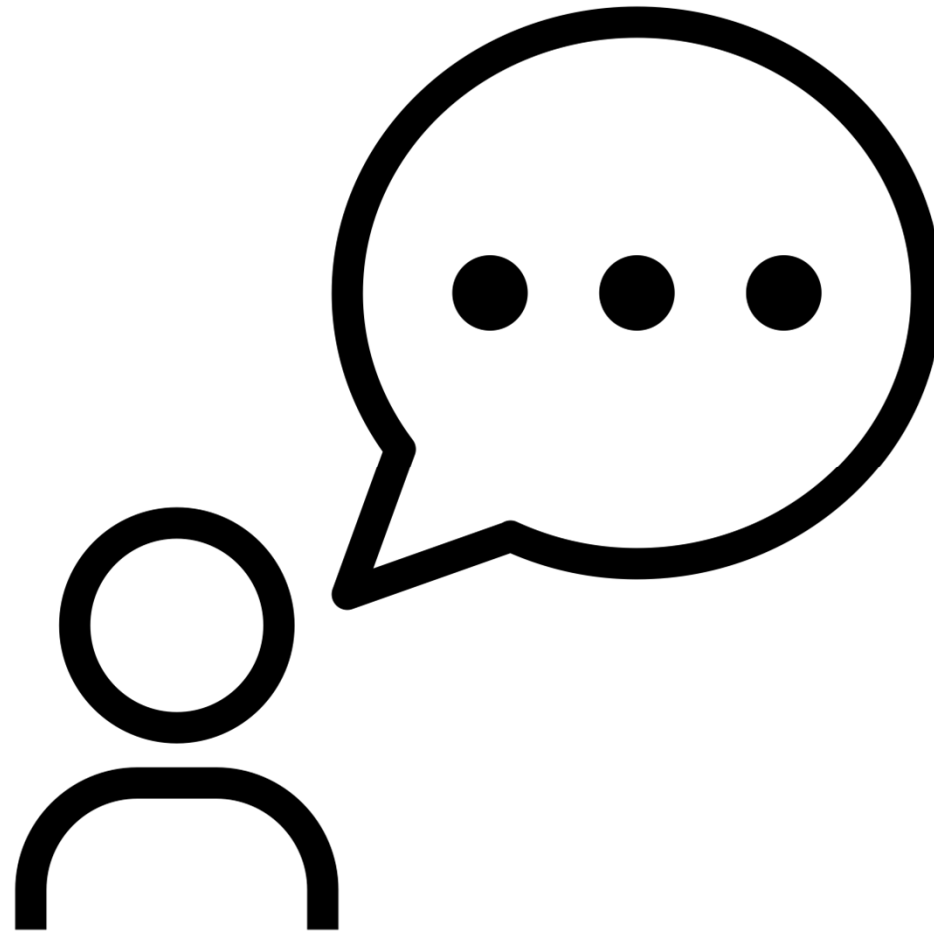
Year 3: 2018-19	Rate increase requested (Minister's cap – 2.25%)	Reason for application	Decision	Approved higher cap
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Monash	2018-19: 3.53% (an additional \$1.5m)	<ul style="list-style-type: none"> <li>To cover the increased cost of its recycling services</li> </ul>	Approved alternative higher cap	2018-19: 2.57%
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## Reflections on past higher cap applications

- The quality of higher cap applications varies between applicant councils.
  - we identified key gaps around community engagement (particularly trade-offs) and long-term financial planning.
- Councils with good plans, policies and practices around community engagement and long-term financial planning are best placed to demonstrate a long-term funding need.
- Our decisions on higher cap applications take into account the financial sustainability of councils.

Questions?





## More information



[www.esc.vic.gov.au](http://www.esc.vic.gov.au)

Contains all our guidance, higher cap decisions, advice to the Minister, compliance reports and other publications.

Contact the team

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