

FAIR GO RATES SYSTEM

Victorian Government Response to
Legislative Council Environment and Planning Committee
Inquiry into Rate Capping Policy
Fourth Report



**VICTORIAN GOVERNMENT RESPONSE TO
LEGISLATIVE COUNCIL ENVIRONMENT AND PLANNING COMMITTEE
INQUIRY INTO RATE CAPPING POLICY
FOURTH REPORT**

Introduction

1. The Victorian Government implemented its Fair Go Rates policy consistent with commitments made as part of its pre-election platform prior to coming to government.
2. In December 2016, following advice from the Essential Services Commission (ESC), the Minister for Local Government determined the rate cap for Financial Year 2017-18 to be set at 2 per cent based on the Consumer Price Index (CPI) forecast by the Department of Treasury and Finance.

Background

3. Prior to the last state election, the government committed to implementing an inflation based rate cap. In January 2015, the Minister for Local Government announced that the Fair Go Rates system would begin from Financial Year 2016-17. The policy was delivered and is now in its second year, with all of Victoria's 79 councils operating under a rate cap.
4. The Victorian Parliament's Legislative Council's Inquiry into the Rate Capping Policy was established on 27 May 2015.
5. The Inquiry terms of reference states that the Legislative Council requires "the Environment and Planning Committee as part of its oversight of Local Government Victoria, to inquire into and report every six months on the outcome of the State Government policy of local government rate capping on councils' viability, service impacts on local communities and impacts on the provision of local infrastructure".
6. The first report was released in December 2015, the second in June 2016, the third in December 2016 and the fourth on 20 June 2017. Government responses to the first, second and third reports were tabled in Parliament in June 2016, December 2016 and June 2017 respectively.
7. It is noted that the committees report is based on the evidence of three organisations only, two of which have given evidence previously.
8. The fourth report made one recommendation:
 - i) The Committee seeks a statement from the government that places in the public domain how many valuers employed by councils in Victoria will be made redundant and what the cost will be to each council for any such redundancies.
9. The Victorian Government will respond specifically to the one recommendation and other key matters raised in the report.

The Report's Recommendations and the Victorian Government's Response

Recommendation 1

The Committee seeks a statement from the government that places in the public domain how many valuers employed by councils in Victoria will be made redundant and what the cost will be to each council for any such redundancies.

10. The Victorian Government notes that this recommendation is not within the Committee's terms of reference.
11. In response to the Committee's request for information on redundancies and associated costs, it should be noted that the Victorian Government is not responsible for council staffing.
12. Employment and redundancy decisions are a matter for individual councils. Councils may elect to retain valuers on staff and assign them into rates administration or other property related roles.
13. Local governments adopt a broad range of operating models for the delivery of property valuation services.
14. Since 2009, a council may nominate the valuer-general to be the valuation authority in respect of the municipal district of the nominating council. To date, 18 councils have elected to nominate the valuer-general as the valuation authority for their municipal district. The valuer-general estimates that these councils have made savings, on average, of approximately 31 per cent.
15. Communications from the Treasurer to the Municipal Association of Victoria, which was circulated to all councils, has advised of the State Government's commitment to fund retraining of council-employed valuers for redeployment where possible. Where redeployment is not possible, the State will consider reimbursement of redundancy costs on a case-by-case basis.
16. Councils and ratepayers will benefit from this reform. There will be efficiencies resulting from having a centralised valuation function with the Valuer-General. The Government has made provision in the budget to ensure that councils and rate payers are not burdened by this change.
17. The government will work closely with the local government sector to ensure the transition to an annual centralised valuation cycle will be smooth, and to continue to assist councils under the Fair Go Rates system.

Other Matters

18. Beyond the single recommendation, there are other matters that were discussed in the report. This section discusses the key matters and how the government has responded to the issues raised.

FINDING 1: The City of Yarra has not broken any rules in respect of its proposed waste service charge. The Committee will examine this further in the next reporting period.

19. In its report, the Committee highlighted its belief that councils should not use service charges to circumvent the annual rate cap. The Committee also suggested that the aggregate sum of service charges for each council should be published so that it can be determined whether such charges are being used by councils for additional income above the rate cap prescribed by the Minister.
20. The government welcomes the Committee's support for its efforts to cast a spotlight on any council initiatives that may be intended to circumvent the rate cap.
21. In highlighting this matter, the Committee has illustrated the effectiveness of Ministerial oversight and the integral review role the ESC plays to ensure that the Fair Go Rates system is working effectively for all Victorian ratepayers.
22. The advice to government and guidance that the ESC continues to provide to the sector demonstrates the importance of the independent and transparent impartiality that underpins the implementation of the Fair Go Rates system.
23. The government is committed to maintaining public trust in the effectiveness of the rate capping policy and will continue to support and work collaboratively with the ESC to ensure the integrity of the Fair Go Rates system.
24. It should be noted that Yarra City Council has decided not to proceed with a proposed waste charge in 2017-18.

Essential Services Commission Productivity Study

25. The report indicated that the Committee was unclear why the ESC is undertaking a productivity study and that the Committee believes such a study should be conducted by Local Government Victoria in consultation with the sector.
26. In 2015, the government requested the ESC to undertake a productivity assessment in response to the ESC's Local Government Rates Capping and Variation Framework Review Report.
27. The ESC's review report recommended the inclusion of an efficiency factor in setting the rate cap. In its response, the government noted that inclusion of an efficiency factor could send a strong signal to councils that the government supports community expectations that councils should actively and continuously seek efficiencies in the way they deliver services. This could also encourage innovation and council investment in delivery and procurement approaches that result in better value for every dollar that councils spend.
28. The government committed to the inclusion of an efficiency factor in setting the rate cap, subject to a detailed productivity analysis of the sector by the ESC to determine appropriate long-term rates.
29. This ESC Local Government Rates Capping and Variation Framework Review was undertaken in 2015 to inform the government's development of the Local Government Amendment (Fair Go Rates) Bill.
30. Subsequently, the government requested the ESC to complete a productivity assessment by mid-2017, so that the outcomes can be applied from 2018-19 onward.

