



# Fair Go Rates

## Fact Sheet

The following Fact Sheet provides Victorian farmers with detailed information about the Fair Go Rates System and rates capping

<b>What is the Fair Go Rates system?</b>	The Fair Go Rates system is a State Government driven policy, requiring all Local Councils to limit their annual municipal rate increases to an imposed cap.
<b>Why was the Fair Go Rates system implemented?</b>	In the lead up to the 2014 election, the Victorian Labor Party made a commitment to cap local government annual rate increases at the Consumer Price Index (CPI). Upon forming government in December 2014, the Essential Services Commission was charged with investigating the options for implementing such a scheme.
<b>When did the Fair Go Rates system commence?</b>	Following a period of consultation through 2015, the ESC provided government with a report on how to implement the Fair Go Rates system. A government response was provided to this report; This report was followed up by the drafting of the Local Government Amendment (Fair Go Rates) Bill 2015 which was considered and passed by the Victorian Parliament before the end of 2015.
<b>What does this mean for Local Government and setting budgets?</b>	Under the Fair Go Rates system, local governments are required to set their rates in accordance with the cap. If a council has a strong requirement to raise rates in excess of the cap, they must formally lodge a request for 'a variation' to the Essential Services Commission, which must be formally approved. The ESC variation process can still be challenged by the community as they respond to draft budgets released for consultation.
<b>How will compliance with the cap be monitored?</b>	The Essential Services Commission have been given the responsibility for ensuring that there is compliance with the cap and also have a role to play in ongoing monitoring of the process.
<b>What is the cap on rates for 2016-2017?</b>	In December 2015, the Victorian Minister for Local Government announced that the rate cap for the 2016-2017 year would be set at 2.5%.
<b>What fees and charges is the rate cap applied to?</b>	The rate cap is applicable to all general rates and the municipal charge. The cap does not extend to service fees and charges, such as waste collection, permit applications, animal management etc. All these fees are considered to be set on a cost recovery/user pays basis.
<b>How is the cap applied?</b>	The cap is calculated based on the "average" ratepayer. The difference in "average ratepayer" calculation between this year and last, is the figure used to calculate a Council's compliance with the Cap.

	<p><b>The rate cap:</b></p> <p><b>The <i>capped average rate</i> must not exceed the <i>base average rate</i> by more than the <i>average rate cap</i>.</b></p> <p>Definition for <b>Capped average rate:</b></p> $\text{Base average rate} = \frac{\text{annualised revenue}}{\text{number of rateable properties}}$ <p>Annualised revenue: the total annual revenue from general rates, municipal charges and any other prescribed rates or charges within the council as at 30 June</p> <p>Number of rateable properties: as at 30 June</p> <p>Definition for <b>Capped average rate:</b></p> $\text{Capped average rate} = \frac{\text{annualised capped revenue}}{\text{Number of rateable properties}}$ <p>Annualised revenue: the total annual revenue from general rates, municipal charges and any other prescribed rates or charges within the council as at 1 July in the capped year</p> <p>Number of rateable properties: as at 1 July of the capped year</p>
<b>What the VFF expect to see through rate capping</b>	The VFF expect to see that the “Fair Go” which is central to the Fair Go Rates system, apply equally across all ratepayers.
<b>What is the VFF concerned about?</b>	Through the development of the Fair Go Rates policy, the VFF were advocating for a cap to be applied at the individual rate level – residential, farm, commercial, industrial. That is, if the cap for the year was 2%, then each individual rating category would only be able to increase by 2%.  We are concerned about the potential for local government to disproportionately implement the cap, with some rating categories not getting the full benefit of the cap.  In a re-valuation year,
<b>What does this mean for us now?</b>	<ul style="list-style-type: none"> <li>• The Fair Go Rates cap will promote increased transparency and scrutiny on local government in their decision making around local government rates.</li> <li>• Curbed increases year on year to local government rates, as local government can only increase rates above the cap if they have a strong justification and the consent of the Essential Services Commission.</li> </ul>