



RATEPAYERS VICTORIA

Lower Rates, Less Waste, More Accountability

23 October 2019

Rating System Review 2019

By email rating.review@delwp.vic.gov.au

Interim Submission to the Rating System Review 2019

Ratepayers Victoria (RPV) welcomes the opportunity to make a submission to the *Local Government Rating System Review 2019 (The Review)*. We make this short initial submission during the public hearings period.

A full submission, responding to questions in the Discussion Paper, will be provided by the 1 November deadline.

Ratepayers Victoria is the only Consumer Advocacy Representative group for All Victorians.

We have been advocating for Victorian Ratepayers for over 20 years.

RPV provides the following observations arising from issues presented in the Discussion Paper released by The Review. We find that residential rates as they are currently raised are no longer efficient, equitable, simple or sustainable, and as such cannot be considered good taxes.

In considering the rating system framework, the principles of equity and fairness are central to the considerations given by RPV and associated groups when engaging with individual councils and state-wide reviews.

Efficiency: increases to residential rates are distorting decisions around property ownership, usage and development in many parts of Victoria. Homeowners are informed their property values have significantly increased based on a flawed interpretation of the *Valuation of Land Act 1960*. This interpretation, administered by the Valuer-General Victoria, requires valuation of the land to the “highest and best use of the land”, regardless of the use to which the land is currently put. This in effect means that a plot of land, on which there is a modest family home, and occupied by a low-middle income family or fixed income pensioner, is valued as though a block of units were already on the land, or a group of properties had been amalgamated and a large commercial development built on the site.

For more information see appendix 1.

Such distortions force people to forgo other essential expenditure to pay the increased rates even though their home is little different to how it was prior to the developer-biased valuation, or sell and move. This may take them further away from their place of work, family, schools and community, and distorts the community identity of the municipality. Rates have now become inefficient property taxes.

RPV notes that the Discussion Paper states that property values “are generally considered an efficient rating base.” We challenge this because of the distortion that the current interpretation of the Valuation of Land Act places on property values.

Equity: the rates tax burden is no longer equitable, particularly in the areas of capacity to pay and horizontal equity.

Capacity to pay – where property values have increased based on the flawed interpretation of the Valuation of Land Act (see “efficiency” above), yet incomes have not increased by the same percentage, there is a capacity to pay deficit that is inequitable.

Horizontal equity – decisions around zoning within municipalities are unevenly applied and opaque in nature, meaning neighbours who are otherwise similar in property types and usage are rated differently due to valuations based on the flawed interpretation of the Valuation of Land Act (see “efficiency” above).

Simplicity: ratepayers and residents of municipalities find the budget setting system opaque and difficult to engage with. For example, ratepayers in the Maribyrnong municipality attempted to engage with their council on the 2019-2020 budget. Their experience was that their questions were not answered, suggestions for savings rejected, the process adversarial and Councillors unable or unwilling to work with them to find solutions.

A good summary of this exercise can be found in the submission by Verity Webb, a committee member of Maribyrnong Ratepayers Group who has made a personal submission to the Review.

Sustainability: Councils are attempting to raise increasing amounts for their budgets using a formula that is no longer fit for purpose. With property values rising based on a flawed interpretation of the Valuation of Land Act (see “equity” above), and residential ratepayers’ incomes relatively stagnant, council rate calculations are not fairly collectible across the residential ratepayer base.

RPV thanks the Review Panel for the opportunity to make this submission. We look forward to engaging with the Panel and other stakeholders at the upcoming public hearing on 23 October, and to making a full submission after full consideration of the Review questions.

For more information or to discuss any of the matters raised above, please contact me at presidentrpv@gmail.com or call on 0427 862 103.

Yours sincerely,

Dean Hurlston
President- Ratepayers Victoria

APPENDIX 1: Valuation of Land Act 1960

s 5A Determining value of land

(1) Unless otherwise expressly provided where pursuant to the provisions of any Act a court board tribunal valuer or other person is required to determine the value of any land, every matter or thing which such court board tribunal valuer or person considers relevant to such determination shall be taken into account.

(2) In considering the weight to be given to the evidence of sales of other lands when determining such value, regard shall be given to the time at which such sales took place, the terms of such sales, the degree of comparability of the lands in question and any other relevant circumstances.

(3) Without limiting the generality of the foregoing provisions of this section when determining such value there shall, where it is relevant, be taken into account—

(a) the use to which such land is being put at the relevant time, the highest and best use to which the land might reasonably be expected to be put at the relevant time and to any potential use;

(b) the effect of any Act, regulation, local law, planning scheme or other such instrument which affects or may affect the use or development of such land;

(c) the shape size topography soil quality situation and aspect of the land;

(d) the situation of the land in respect to natural resources and to transport and other facilities and amenities;

(e) the extent condition and suitability of any improvements on the land; and

(f) the actual and potential capacity of the land to yield a monetary return.

THE PROBLEM: The instructions given to valuers by the Valuer-General Victoria in the administration of this Act is that the primary consideration is the *“highest and best use to which the land might reasonably be expected to be put at the relevant time,”* with little or no consideration of *“the use to which such land is being put at the relevant time.”* This distorts the property valuation based on what a developer thinks a property might be worth, were it to be re-developed on a speculative basis. This approach places little or no value on the current use, which is often the family home. This might include a modest dwelling, purchased many years ago by a working-class family, with pensioners on a fixed income now living in retirement in that property.

A SOLUTION: insert a new clause after clause (1) that reads:

“Where the land is currently being used for residential purposes, and is the primary residence of the landowner or tenant, that shall be deemed the primary purpose to which the land is being put, and valuation shall be made accordingly.”

Text following that (clauses 2 onwards) should be considered subsidiary clauses and should be reworded to reflect the intent of this section of the Act. This will then protect the rights and interests of residents, while still enabling Council to revalue the land at the point at which it changes hands.