

Our Ref: A2674494

1 November 2019

Dr Kathy Alexander
Chairperson
Victorian Rating System Review Panel
Rating.review@delwp.vic.gov.au

Dear Kathy,

Submission to the Victorian Local Government Rating System Review

I am pleased to present the attached submission to the Victorian Local Government Rating System Review.

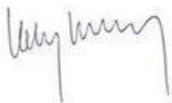
As one of the fastest growing municipalities in Australia, Wyndham's infrastructure and service needs are challenging. As acknowledged in your discussion paper, our sector is now well beyond 'roads, rates and rubbish'.

The current rating system does have many strengths, however, the need to contemporise the legislation is very evident to drive greater fairness and equity in the distribution of rates across our municipality. This review also provides the opportunity to consider simplification and efficiency of rating processes.

Within this context, it is important that autonomy and flexibility is not restricted so as to enable Councils to achieve policy settings that can address the specific needs of their community. We also need to acknowledge that there are a range of funding challenges that Councils face that are not able to be addressed within the scope of this review.

Thank you once again for this opportunity. If you have any questions regarding our submission or any specific points you would like to discuss, please feel free to directly contact our CFO, Binda Gokhale: binda.gokhale@wyndham.vic.gov.au or on 0427 690 335.

Yours sincerely,



Kelly Grigsby
Chief Executive Officer

Att.



Submission

Victorian Local Government Rating System Review October 2019

1. Executive Summary

Strategically located within Melbourne's West between the Melbourne CBD, Geelong and Ballarat, Wyndham City has consistently been one of the fastest growing municipalities in Australia.

We are the largest municipality in Melbourne's West, with more than 270,000 people already calling Wyndham home. Our population is growing at almost triple the rate of Geelong, Ballarat and Bendigo combined, and is expected to reach 490,000 over the next 23 years.

The scale of replacing and renewing existing as well as new infrastructure in Wyndham is reflected in the fact that for a number of years our Capital Works Budget has been one of, if not the largest in Victoria.

Our ability to address our infrastructure needs is not our only challenge. Given the rapid rate of growth over a number of years and the continuing rates of growth over the coming 23 years, our ability to provide services that our communities need is also facing pressures.

Given our unique infrastructure and service context, concepts of fairness and equity mean very different things for current and new residents, business and visitors in Wyndham, compared to those in other Local Government Authorities (LGA's).

We therefore do not believe that changes to Victoria's rating system that reduce the ability of some Councils to deal with their infrastructure and services gaps in order to address those in other Councils meets any of the following principles - efficiency, equity, simplicity, sustainability and autonomy.

Having said this, we acknowledge the situation faced by other Councils, in particular Small Rural Councils, where the gap between fiscal capacities and the need to manage assets as well as deliver infrastructure and services appears the widest.

However, we note that most of the tools available to address these challenges appear outside the scope of this review.

Wyndham supports recommendations made by the Municipal Association (MAV) in their submission that are inside the scope of this review relating to exemptions; differential rating; process improvements and enhancements; opposition to new Poll Tax options. The MAV recommendations supported by Wyndham are include in section 2 below.

In addition to the MAV's recommendations, Wyndham also makes a number of other recommendations (indicated by bold and shaded text throughout this submission) including:

- Support of Recommendations 120 and 121 of the Henry Tax Reviewⁱ (see page 3)
- Requesting the Review Panel provide in-principle advice to the State Government concerning the process and content for the 2021 Rate Capping Review (see page 4)
- Waste Charges and Related Matters (see page 5)
- Infrastructure and Funding Gaps in Growth Areas (see page 6), and
- Further analysis re the use of Capital Improved Value (see page 6).

2. Supporting MAV Recommendations

As stated above, Wyndham appreciates the significant analysis and rationale provided by the MAV in their submission in support of their recommendations. Wyndham has participated as part of this MAV consultation

We do not intend to duplicate this analysis in our submission, but we do wish to explicitly support the following MAV recommendations:

1. Exempt commercial activities, fees for service providers, private sector competing activities, or legally nuanced categories of exemption should be revoked and made rateable;
 - Solar/wind farms and electricity generators
 - Universities
 - Private schools
 - Religious property holdings used for commercial purposes or not held and occupied by the legal entity providing the religious instruction/faith-based services
 - RSL gaming/gaming venues on Crown land
 - Mining; and
 - Crown Land used for commercial purposes.

2. Differential rating options should be retained.
3. The current Victorian rating regime's capacity to be understood and to deliver fairness and equity would be enhanced by;
 - Simplifying rates notices
 - Earlier valuations return date (in February each year)
 - Penalty interest rate to reflect market rates of interest
 - Minimum and maximum rates option
 - Option for Tourism Levy for Declared Tourist Destination
 - Residential Village Dwellings to be Rateable; and
 - LGA Rating Strategies.
4. The following Poll Tax Options are not supported by the MAV:
 - A per capita basis, or
 - Per assessment basis, or
 - A State-wide consistent CIV rate in the dollar property charge.

3. Utility of a Principles Framework

Like the MAV, Wyndham is concerned that any reforms to Victoria's Local Government Rating System might be falsely justified by appealing to the rhetoric of 'fairness and equity' rather than the on-the-ground realities for Councils and communities across Victoria.

Wyndham appreciates that the Review Panel might be assisted in this review by applying a Principles Framework to their task including efficiency, equity, simplicity, sustainability and autonomy. However, our view is that any thorough analysis of the on-the-ground realities demonstrate that the rating system on its own cannot deliver fairness and equity.

We would strongly caution against any reforms that may in fact enshrine further inequities and structural problems, purely to satisfy a subjective simplification agenda.

Wyndham does not believe that a one-size-fits-all rating system will help meet growing infrastructure and service gaps, especially in communities where these gaps are most acute for example in Wyndham and in West Wimmera.

We do believe that more significant issues are at play and that alternative policy responses are needed. We therefore make several recommendations concerning these underlying tensions in sections 3, 5 and 7 below.

In relation to the principles of autonomy and efficiency, Wyndham also supports Recommendations 120 and 121 of the Henry Tax Review.

We therefore recommend that the Review Panel base any recommendations regarding autonomy and efficiency on their ability to support these two recommendations as follows:

- 1. Recommendation 120: States should allow local governments a substantial degree of autonomy to set the tax rate applicable to property within their municipality.**
- 2. Recommendation 121: Over time, State land tax and local government rates should be more integrated. This could involve:**
 - a) Moving to a joint billing arrangement so that taxpayers receive a single assessment, but are able to identify the separate State and local component; and**
 - b) Using the same valuation method to calculate the base for local government rates and land tax (with this method being consistent across the State).**

4. 2021 Rate Capping Review

Wyndham unsuccessfully applied for a variation to the rate cap for the 2016-17 Financial Year.

While we do not intend to re-prosecute our arguments - which can be found at <https://www.esc.vic.gov.au/local-government/resources-councils/higher-cap-applications-2016#tabs-container2> - we maintain our view that rate capping will have profound impacts on the Wyndham community in the near to medium terms.

This is because of the inter-relationship of a number of factors, including:

- Limits on our capacity to raise revenue (and/or debt)
- The scale and nature of our infrastructure challenges; and
- Current limitations of regulatory and funding arrangements in Victoria and Australia.

The impact of the above factors means that we cannot continue to provide the level of community infrastructure funding that our communities need and deserve.

While the State Government's rate cap is outside the scope of this review, we would nevertheless request that this Review Panel make a number of recommendations to the State Government.

Such recommendations should amend the scope and content of the State Government's Review of Rate Capping in 2021, including that:

- **Infrastructure challenges and funding gaps as well as current and future services needs be added to the Terms of Reference**
- **The 2021 review be a properly resourced, public review that takes evidence in the leadup to and following an Interim report and before it issues a Final Report**

- **Benchmarking occur across Australia on the impacts of rate capping on infrastructure funding and delivery; and**
- **Examples of more nuanced rate capping regimes or policies that allow for different rate caps based on infrastructure challenges and needs.**

5. Waste Charges and Related Matters

Wyndham notes that it will be critical to deliver policy reforms arising from with the State Government's Circular Economy Policy (due in late November), as well as recommendations arising from Infrastructure Victoria's current review of recycling and resource recovery infrastructure needs (due in April 2020).

Wyndham believes that policy reforms should not be contradicted or undermined by Waste Charge Reforms arising from this review.

Rather, policy reforms need to prioritise the following flexible arrangements so that waste, recycling and related challenges can be met in partnership between governments, communities and the private sector:

- Local Government Act Exemptions for Local Government owners and operators of landfills
- Group procurement and aggregation of waste; and
- Recycling, waste and resource recover infrastructure and investment pathways.

Just as importantly, policy reforms that arise from these parallel reviews being conducted by the State Government and Infrastructure Victoria will need to be matched with urgent funding, regulatory and investment partnerships.

This is another reason Wyndham recommends that no pre-emptive and potentially counter-productive reforms should be made to Waste Charges.

6. Rating Strategy and Community Engagement

To date, Wyndham's Rating Strategy (see attached) is reviewed and updated every two years with engagement from its Rating Strategy Advisory Group (RSAG). The RSAG includes representatives from all ratepayer classes or groups and detailed discussions occur concerning the rating, budget and spread of differential rates.

The last review by the RSAG was in February 2018 and the recommendations were presented to Council as part of their 2018/19 budget process.

Wyndham notes that the next review will occur in early 2020, at the same time as outcomes from this rating review are known, and other parallel policy reviews (particularly in the waste and recycling areas as well as a new Local Government Act) are forthcoming.

Wyndham recommends that the flexibility we provide for payment options (as outlined in our Rating Strategy) as well as wide and deep engagement we have with ratepayers about fair and equitable ways that the rates burden can be shared across the municipality, are both models worth duplicating elsewhere.

7. Other Recommendations

Infrastructure and Funding Gaps in Growth Areas

While we understand that these broader infrastructure and funding issues are outside the scope of this Review, Wyndham recommends that the Review make comment on the fact that the rating system alone will not adequately address these challenges.

Given current economic circumstances as well as record revenue downturns, particularly at the State Government level, Wyndham believes that there is a need for much broader strategies that will enable the Local Government Sector to consider alternative funding pathways.

Wyndham therefore requests that the Review Panel provide in-principle support for the following recommendations:

- **Examination and development of policy options to close historical and future gaps between revenues paid to the State Government by Growth Councils (in Wyndham's case well over \$1 billion over the last decade) and State Government funding for infrastructure projects in Wyndham**
- **Development of Value Capture and Investment principles that will readily enable Councils to undertake procurement activities and funding partnerships with State Government and Private Enterprise in the delivery of infrastructure and services.**

We believe that the development and adoption of the above policies and guidelines are matters of great urgency and that they should be developed in conjunction with all parties.

CIV

While Wyndham accepts that CIV is considered by most as an appropriate measure of capacity to pay, we would recommend further analysis and review, in particular, the current methodology which requires assessment based on 'highest and best use'.

ⁱ Commonwealth of Australia. *Australia's future tax system consultation paper summary*. Canberra, December 2008 accessed at http://taxreview.treasury.gov.au/content/ConsultationPaper.aspx?doc=html/publications/Papers/Consultation_Paper_Summary/Chapter_12.htm on 23 October 2019.