

# Consultation questions – local councils

Councils are requested to respond to the following questions as part of their submission to the Rating Review. These questions are largely administrative in nature. Councils may also wish to consider the broader policy questions in Chapter 5 of the Rating Review Discussion Paper, available at [www.engage.vic.gov.au/rating-review](http://www.engage.vic.gov.au/rating-review).

The Panel also encourages councils to include any other matters they wish to raise in their submissions. Please keep submissions to a total of 5,000 words or less.

If you have any queries about these questions or about making a submission, please do not hesitate to contact the Rating Review Secretariat at [rating.review@delwp.vic.gov.au](mailto:rating.review@delwp.vic.gov.au)

## 1. How regularly does your council assess occupancies for each of the non-rateable exemptions under s154 of the *Local Government Act 1989* (the Act)?

- What policy criteria do you apply?
- By property category, in your municipality, how much in rates do you estimate would be raised if these non-rateable occupancies were rateable?

Greater Shepparton City Council (GSCC) assesses non-rateable exemptions on an annual basis. The criteria used is as per s154 of the Act.

Differential	Amount of rate revenue if rateable
General (residential)	\$3.03 million
Farm	\$54,000
Industrial/Commercial	\$3.82 million
<b>Total</b>	<b>\$6.9 million</b>

## 2. What rates and charges does your council declare?

- Do you have a revenue and rating strategy to help determine rates and charges under s155 of the Act?
- How do you engage your community in determining rates and charges?
- If you use a municipal charge, how do you calculate its level?
- What exemptions do you apply for municipal charges? How many, and what is the total value?

GSCC declares a general rate, a municipal charge and kerbside collection (waste service) charges. The setting of these charges is influenced by GSCC's rating strategy.

Community engagement in the rate setting process is done annually through the s223 process for the annual budget of which rating forms a key part. GSCC has also previously done consultation on the rating strategy separate to (and in the lead in to) the budget process.

This was the case in February 2018 when GSCC proposed a reduction in the number of differentials.

The calculation of the municipal charge has been largely historically based (for example, consistent at 12.3% of the general rate revenue), however, with the changes proposed in the draft bill and when modelling the reduction in differentials at GSCC, the municipal charge was reduced to mitigate the impact on ratepayers. In 2019/2020, the municipal charge was

maintained at the same dollar value as the previous year in order to provide some stability for ratepayers.

The only exemptions offered for municipal charge at GSCC is the Single Farm Enterprise. GSCC currently has 573 exemptions at a total value of \$112,000.

**3. How often have you issued rate notices to the occupier, or mortgagee in possession of, the land under s156 of the Act?**

- *What are the problems that you have experienced issuing notices under s156(3)?*

Rate notices are issued to the occupier only if the property owner has requested for this to occur. GSCC does not keep statistics on these requests so it is difficult to identify how often other than to say when instructed. GSCC is not aware of any instances where notices are being directed to mortgagee in possession.

Some of the problems experienced under s156(3) have been where the property owner has instructed GSCC to issue a rate notice to the occupier but the occupier has complained to GSCC saying there is no formal agreement with the property owner for them (as the occupier/tenant) to pay rates.

Another problem is that GSCC cannot issue two notices eg. one copy to the owner and one to the occupier/tenant.

**4. Do you issue separate notices for Special Rates and Charges, or do you combine them on a single notice?**

- *What are the challenges of providing prescribed information on rate notices?*

GSCC issues separate notices for special rates and charges.

For annual rate notices, GSCC does not face any real challenges in providing the prescribed information. GSCC does find that ratepayers do tend to focus solely on the total, often bypassing or ignoring a lot of the prescribed and other supporting information.

GSCC has on occasion heard from ratepayers that believe rate notices should be considered as tax invoices and therefore must meet requirements of the Australian Tax Office.

**5. How does your council determine general rates (uniform or differential)?**

- *What criteria does your council use in their application?*
- *What evidence does your council consider when determining the rates in the dollar for your differential rating categories?*
- *Does your council consider what services should be paid for with other income (e.g. municipal/service/special charges)?*

GSCC utilises differentials to determine the general rates and does so in the belief that differential rates are a useful tool to address equity issues that may arise from the setting of council rates derived from property valuations<sup>1</sup>.

Understanding that ratepayers prefer a level of stability with rates and charges, GSCC undertakes significant modelling as well as some benchmarking with neighbouring councils when determining the rates in the dollar.

External data, however, such as valuations are not considered and any significant movements within a differential group (or groups) can have a corresponding impact on the rate in the dollar.

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<sup>1</sup> Greater Shepparton City Council Rating Strategy 2018-2019

As part of the annual budget process GSCC does consider what services should be paid for with other income, in particular user fees and charges more so than municipal and special charges.

**6. What administration issues have you experienced when creating and administering special rates and charges?**

In the last five years GSCC has only proposed one new special charge scheme. This was disputed by impacted ratepayers with the Victorian Civil and Administrative Tribunal (VCAT) finding in the ratepayers' favour. GSCC has not attempted or investigated any new special charge schemes since that finding.

**7. Please describe the payment options your council makes available to ratepayers?**

- *Do you provide other payment options (in addition to offering a choice between paying in four instalments or in a lump sum)?*
- *Do you provide any incentives for payment of rates such as early payment? What are they?*

As well as the four instalments, GSCC provides payment options such as 10 monthly direct debits, fortnightly payroll deductions for GSCC staff and flexible payment arrangements for ratepayers as long as the rates balance is cleared by 30 June that financial year.

GSCC does not offer a formal lump sum option (allowable as per the Act) as this allows earlier identification of ratepayers who may be struggling to pay or intending not to pay. This has seen a reduction in the need to instigate formal debt collection and place unnecessary legal expenses on ratepayers.

Those ratepayers who wish to pay lump sum may still do so, however, GSCC has been advised by Local Government Victoria (LGV) to remain silent on this as they believe mentioning the word 'lump sum' in any communications with ratepayers brings the formal date (15 February) into play. Hence GSCC communicates that if the communicated payment options (i.e. four instalments or 10 monthly direct debits) do not suit your needs, to please contact the GSCC rates team immediately to discuss any alternate payment arrangement.

GSCC does not provide any incentive for payment of rates such as early payment. In that example (early payment) GSCC is of the opinion that this unfairly disadvantages those ratepayers that cannot afford upfront lump sum payments.

**8. Do you provide any rating rebates and concessions (in addition to State government concessions)?**

- *What are the criteria in your council for providing these rebates and concessions?*
- *What is the total annual value of these rebates and concessions?*
- *How do you monitor and report on the community benefits?*

GSCC provides two rate rebates in addition to State Government concessions.

GSCC offers a rate rebate to landowners who register a Trust for Nature conservation covenant on their property. Landowners will receive a rebate of up to \$20 per hectare of land placed under covenant. The total rebate will depend on the rated value of the covenanted area, with a minimum payment of \$100 and a maximum payment of \$1,000. The current total annual value of this rebate is \$9,500.

Charitable Organisations (those that are registered charities with the Australian Charities and Not-for-profits Commission) are able to apply to GSCC for a rebate of 50 per cent of their current year's general rate and municipal charge, in respect of retail land, where the use of the retail premises is for the sale of goods that contributes to the objectives of the Charitable Organisation by providing benefits to the community as a whole.

The retail land must be within the municipality that is occupied. The rebate will not apply to service rates and charges or special rates and charges. Applicants need to reapply each financial year. The current total annual value of this rebate is \$21,200.

GSCC does not monitor or report on the community benefits of these rebates.

**9. Do you have a policy for deferment of rates and charges?**

- *What is the current total of rates and charges that are currently deferred?*

GSCC has a Financial Hardship Policy that does allow for deferment of rates and charges. However, this is only available in situations where the ratepayer is an eligible pensioner, that the property in question is their primary place of residence and are able to demonstrate they don't have the ability to pay. This needs to be applied on an annual basis and amounts deferred are limited to 10% of the CIV of the property.

GSCC currently has zero properties with deferred rates and charges.

**10. Do you have policies regarding waiving rates and charges?**

- *What types of waivers do you provide to ratepayers and what is their estimated annual value?*

As per GSCC's Financial Hardship Policy there is no waiving of rates, charges or special rates or special charge so as not to have a distributional effect on the rate base.

GSCC, however, does consider waiving interest and legal costs under the following two categories:

- Administrative waivers – in the event of a council administrative issue, error or omission; and
- Waiver on compassionate grounds.

The estimate annual value of these waivers is approximately \$60,000 per annum.

**11. Do you raise the amount declared under the *Penalty Interest Rates Act 1983* of 10 per cent for unpaid rates and charges?**

- *If not, what rates do you apply?*

GSCC raises amounts declared under the Penalty Interest Rates Act 1983.

**12. What issues do you face when rating by occupancy?**

The most challenging issue GSCC faces when rating by occupancy is their identification. For example, shops that are within large shopping centres and are not fixed but take up floor space (eg. juice bars) are often difficult to identify.

Ratepayer understanding of the Act in regards to rating by occupancy is also an issue. For example, a common belief from ratepayers is that if they have three separate houses but they are all on the one title then there should only be one rates notice for the title as a whole instead of three individual notices based on occupancy.

**13. What issues have you determined when applying rates to land that is becoming, or ceasing, to be rateable?**

- *Annually, over the past 5 years, how many supplementary rates and charges notices have been issued?*
- *For each of these years, what was the total income for these occupancies?*

One of the main issues with land that is becoming, or ceasing, to be rateable is the provision of timely notification to GSCC (when becoming rateable). It is difficult for GSCC to know when

land has actually ceased being rateable. For land becoming rateable there is no incentive for the ratepayer to notify GSCC in a timely manner.

Over the past 5 years, GSCC on average has issued 17 supplementary notices per year relating to land moving between rateable and non-rateable. The total lost income from land ceasing to be rateable in this time was approximately \$124,000.

**14. Do you have a policy regarding treatment of unpaid rates and charges?**

- *If you do not, how do you treat ratepayers that live in their properties?*
  - *Do you treat non-residential properties differently?*
- *Annually, over the past 5 years, how many ratepayers have you issued complaints on for unpaid rates and charges and to what total value?*
- *What amount of interest do you charge on unpaid rates and charges? Do you raise the amount declared under the Penalty Interest Rates Act 1983 of 10 per cent?*
- *Do you have any additional administration fees and charges for managing ratepayers with unpaid rates and charges?*
- *What type of collection activities do you use to recover unpaid rates and charges?*

GSCC does not have a policy regarding the treatment of unpaid rates and charges as it follows the processes available under the Act.

Ratepayers that live in their property are essentially not treated any differently to non-residential properties. However, with the various options that are available to councils under the Act, GSCC does treat each situation on a case by case basis to determine the most appropriate course of action.

Annually, over the past 5 years, GSCC has issued on average 164 complaints to an average debt value of \$4,080 (total debt value of \$3.35 million).

Interest is charged as per the Penalty Interest Rates Act 1983. Fees and charges which are not recoverable through the Court or under the Act are not passed on to the ratepayer. These include listing fees, field call fees, mortgagee letters and rent orders.

GSCC engages a debt collection agency to recover unpaid rates and charges with wide ranging collection activities utilised such as field calls to the use and implementation of s181 of the Act.

**15. What is your council's policy regarding selling land to recover unpaid rates and charges?**

- *If no policy exists, how do you apply the relevant legislation?*
  - *Do you apply the same approach regarding selling land where ratepayers live in their property?*
- *Annually, over the past 5 years, how many times have you undertaken this process?*
  - *How many properties have you sold?*
  - *How much has this cost, per instance?*
- *How many times have you claimed land instead of selling land?*
  - *How much did this cost, per piece of land?*
- *What issues have you encountered when selling or claiming land?*

GSCC does not have a formal policy on selling land, however, as it is allowed under the Act, the use of s181 is an option GSCC is prepared to utilise. The same approach is taken whether ratepayers live in the property or not.

The Executive and Councillors are briefed regularly on properties that have unpaid rates greater than 3 years. GSCC does not want the outcome to be selling of land, but has found that communicating to ratepayers of such preparedness has yielded good results.

Since April 2017 out of 87 properties identified in briefings to the Executive and Councillors, 75% of these have either paid in full or made part payment or entered into payment arrangements. Only 2 of these properties actually resulted in a sale of the land to recoup the

outstanding rates at a cost of \$7,800 per sale. This demonstrates the effectiveness of the provision within the Act.

GSCC has claimed land on 1 occasion in at least the last 6 years, perhaps longer.

Some of the issues GSCC has experienced in selling the land have included:

- The owner of the property with unpaid rates placing bids on the property at auction, subsequently out-bidding genuine buyers and upon placing the winning bid, writing a cheque to the real estate agent that subsequently did not clear.
- Real estate agents struggling with selling the property for reasons such as limited ability to provide access to the property for potential buyers. Agents have also communicated the process creates extra costs for them as it is not the normal selling process.
- Limitations of the Act in regards to sale price needing to be at or above a current valuation.

**16. What issues have you encountered in providing information for Land Information Certificates?**

- *Do you provide any updates (verbal or otherwise) to ratepayers/would-be ratepayers for these certificates?*
  - *Have you experienced any privacy issues in providing updates? If so, what were they?*

GSCC has not experienced any real issues in providing information to Land Information Certificates (LICs).

In consideration of privacy concerns, no verbal updates are provided, except for the person or company that has the original LIC. In following this process GSCC has not experienced any privacy issues.

**17. Do you have a policy on how you apply the rates section of the *Cultural and Recreational Lands Act*?**

- *How many occupancies in your municipality are categorised as cultural and recreational lands?*
  - *Annually, over the past 5 years, how much have you received in lieu of rates in relation to cultural and recreational property?*
  - *How much would you receive if you were to assess these properties under your normal rates?*

GSCC does not have a policy on applying the rates section of the Cultural and Recreational Lands Act.

There are 7 occupancies within the municipality that are categorized as cultural and recreational lands. The average annual amount received by GSCC in lieu of rates is approximately \$52,600pa.

Were these properties to be assessed under normal rates the average annual amount received over that same time would have been approximately \$201,000pa.

**18. How many occupancies make payment in lieu of rates under the *Electricity Industry Act 2000* in your council area?**

- *How much revenue do you collect and approximately how much is forgone as result (compared to rating under the Local Government Act 1989)?*

GSCC currently has no occupancies that operate under the Electricity Industry Act 2000 but will have soon.

**19. Other questions**

- *How many public inquiries on rates do you receive each year? What are some common themes of those inquiries?*

While not possible to capture all public inquiries, GSCC receives approximately 5,200 inquiries per annum via its dedicated rates line phone number. This doesn't include over the counter inquiries, email inquiries or those made through GSCC's main phone line.

Some of the common themes of the inquiries include complaining about the value of rates ("what do I get for it?"), requesting payment arrangements, applying for financial hardship, pension concessions, fencing queries, requesting copies of annual notices, property related questions such as titles, valuation queries including AVPCC categorization and objections etc.

- *What software do you use to administer your rating system?*
  - *What is the estimated annual hardware/software cost to maintain rates using this system?*

The software used to administer GSCC's rating system is Infor Pathway. The annual licence fee is \$191,000 including GST

- *How many staff do you employ to administer rates and charges? What is the total FTE and costs for the rating and revenue function in your council?*

GSCC has 5 FTE employed to administer rates and charges. For 2019/2020 employee costs is budgeted at \$364,000.

#### **Submission topics:**

- **Lump sum payment – keep as optional**

GSCC does not offer a formal lump sum payment option. Under s167(2B) of the Act should GSCC offer a formal lump sum payment this would be due and payable on the gazetted date (15 February each year).

If a ratepayer has missed paying the first instalment at 30 September, councils that offer the formal lump sum option then have to assume the ratepayer is electing to pay by lump sum by 15 February. If this payment date is missed only then can councils implement overdue notices and other formal debt collection procedures. This leaves a short time period to the end of the financial year and increases the likelihood of costly and unnecessary legal charges being applied to the ratepayer.

Since removing the formal lump sum option, GSCC has been able to identify ratepayers who are either struggling to or don't intend on paying their rates much earlier (end of September). This provides GSCC with significantly more time to follow up with ratepayers and discuss payment arrangements etc without the need for costly formal debt collection charges.

The majority of ratepayers have shown they have been able to adjust to this change (taking up GSCC's flexible options such as 10 monthly direct debits) and collection rates have improved as well. Not offering lump sum as a formal option and having flexible payment options is also consistent with billing cycles for utility providers. Local Government should be no different.

Those ratepayers who wish to pay lump sum may still do so but are required to contact GSCC to arrange (under the guise of a payment arrangement). This is not considered an unreasonable request particularly when the benefit has been identifying ratepayers who are potentially struggling to pay their rates a lot sooner.

- **Rating differentials – retain and not regulate**

GSCC firmly believes that differentials allow fairness and equity to be achieved more so than a uniform rate. Hence the use of differentials should be retained.

Importantly, these differentials should not be regulated but left to an individual council to determine their own distribution of the rates burden.

It is accepted that standardising differentials amongst councils would make the rating system easier to understand for ratepayers, particularly those that have properties across multiple councils.

However, council rate bases are never the same. Having councils apply the same differential removes an important tool in ensuring fairness and equity when distributing the rates burden. While it might bring certainty for one group (i.e. farmers), like most changes to rating systems, it would come at the cost of either lost revenue for councils or increased burden in other differential groups.

- **Municipal charge – fairer to leave in (minimal rate?)**

Similarly to the use of differentials, GSCC is of the belief that the use of the municipal charge ensures greater fairness and equity in the distribution of the rates burden.

However, the wording of s159 of the Act causes unnecessary angst and misunderstanding from the community regarding its intent.

The current legislation communicates the municipal charge as covering 'some of the administrative costs of the Council'. Due to this description, too much focus is spent on what 'administrative costs' means (it is not defined in the Act) as the ratepayer is trying to determine 'value for money'.

Instead, the municipal charge should be seen in the context as a minimal rate.

It is arguably fairer and more equitable to say to all property owners within a municipality, irrespective of the property's location, use or value, contribute a minimum rate to the running of that municipality.

Ratepayers understandably also focus on the regressive nature of the municipal charge and use this argument to justify its abolishment. It is, however, because of its regressive nature (refer discussion above on minimal rate) that makes it a useful tool in ensuring fairness and equity.

- **Clearer definition around charitable and public purpose**

Section 154(2)(c) of the Act needs to be clearer in regards to the definition of 'charitable purposes'. The Australian Charities and Not-for-profits Commission (ACNC) website states that there are over 56,000 charities on the ACNC Charity Register and growing at almost 4 per cent per year.<sup>2</sup>

The types of charities that are covered include religious organisations, parents and citizens committees or associations, universities and research organisations, non-government schools, animal welfare organisations, aged care centres and child care groups. This is quite broad and emphasizes the challenges faced in applying the Act in these circumstances.

In lieu of a definition in the Act, GSCC utilises the definition of a charity in the Charities Act 2013 to assist in determining what constitutes a charitable organisation. However, there are at least 12 different types of charitable purposes under the Charities Act 2013 (see Part 3, Division 1, 12) which makes the definition quite broad and the determination process quite complex.

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<sup>2</sup> <https://www.acnc.gov.au/for-public/understanding-charities/are-there-too-many-charities-australia>

Having a clearer and more narrow definition of charitable purposes will make for an easier to understand rating system, enhance the efficiency of administering council rates and improve the distribution of the rates burden.

- **Reduction in non-rateable exemptions**

Section 154 of the Act needs to be refined to reduce the number of exemptions offering non-rateable status.

Exemptions such as land held in trust for any religious body used exclusively as a residence of a practicing Minister of religion (s154(d)(i)) and land which is used exclusively for mining purposes (s154(e)) need to be reviewed for relevancy as arguably they are outdated provisions.

A reduction in the number of non-rateable exemptions will make for an easier to understand rating system, enhance the efficiency of administering council rates and improve the distribution of the rates burden.