

Local Government Rating Systems Review

C/o Department of Environment, Land, Water and Planning
Level 35, 2 Lonsdale St
VIC 3000 Australia
T (03) 9948 8533
E rating.review@delwp.vic.gov.au

Submissions due by 1 November 2019

HRCC General Comments

1. High value of farm land in terms of the underlying cost of farm operations and the impact that has in the relative share of the rate contribution from each of the sectors:

Land for a farmer is a significant component of their overall assets that are required to conduct their business. Unlike many other businesses where their productive assets are more than just land. This leads to a disproportionate level of rates being paid by this sector when compared to other commercial undertakings. Land supply for farming is diminishing and as a result farm prices continue to rise above that of other land uses, this in turn leads to the farm sector picking up an increasing proportion of the rate burden of councils. Differentials can be utilised to correct this but they cannot be used forever. Alternative arrangements for farm land should be looked at to ensure that there is equity in the rate distribution.

Horsham Rural City Council introduced a new Rating Policy in 2018 that sets a trigger for the review of the differential that is linked to movement in valuation. This trigger seeks to smooth out large movements in property valuation by adjusting the differential when relative valuations move by more the +/- 3.5%.

2. The level of the Municipal Charge:

The issue of the level of the Municipal Charge is subjective and depends on individuals perspectives. However what Council does appreciate is the ability to set this charge as high or as low as they deem appropriate. Any legislative position on the maximum level restricts council's use of this component of the rating system.

3. State Government exemption from the payment of rates:

Council's must pay many state government charges yet the State Government itself is exempt from the payment of council rates. This includes such bodies as water authorities where council pays water rates but the water authority does not pay council rates. To correct this would reduce the rate burden for all other categories of land use across the sector and would be in-line with the user pays taxation principles and fairness.

4. Charitable exemptions:

Charitable exemptions are complex and often not clear cut. There are many organisations that receive charitable exemption yet are essentially large profitable businesses in their own right. The Charitable exemptions need review so that they are clearly only applied to organisations in need.

5. Inequities between urban and rural areas in terms of rates affordability (rates as a percentage of property value):

There are some significant fixed costs associated with running a council of any size in terms of governance arrangements, administration and mandatory service delivery requirements. There are also community expectations that similar levels of service can be provided in all municipalities across the state regardless of location. Also property values generally, are significantly lower in rural areas compared to urban areas. These two factors combined mean that the rate in the dollar is disproportionately higher in rural areas than urban areas.

6. Fiscal Equalisation mechanism – Federal Financial Assistance Grants:

The Federal Financial Assistance Grants are one mechanism put in place to provide fiscal equalisation between councils however the effectiveness of this is being impacted by the ever decreasing size of this grant program and the increasing impact of the 10% minimum rate calculation on the overall \$'s available. A review of the minimum grant principle needs to be undertaken for Victoria only as the removal of the principle altogether may cause issues in other states.

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7. The significant impact that road construction and maintenance have on overall council cost structures, and therefore the impact that has on overall rate levels?

Road construction and maintenance is a costly undertaking for rural councils. Whilst there are funding programs for roads from both state and federal governments there is still a large portion that comes from rates. Meanwhile the level of expenditure is never enough to maintain roads to the required standards and the condition of roads are generally in decline. Additional roads funding is needed rather than council increasing rates to meet this need.

8. Role as a regional city in terms of broader service delivery?

Horsham Rural City Council provides a range of services across the west of the state that extend beyond its small ratepayer base. As a result our rates are higher. Funding models such as the Grants Commission need to reflect the impact of this or more alternative ongoing funding needs to be provided by other tiers of government.

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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.

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

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)?

HRCC reviews all non-rateable properties once a year.

- What policy criteria do you apply?

Council has a policy “Rate Concessions for Cultural, Recreational and Charitable Organisations” that essentially applies the principles from section 154(2)(c) of the Local Government Act, and the Cultural and Recreational Lands Act 1963 Section 4(1)). The policy also provides additional guidance re the head of charity regarding ‘other purposes beneficial to the community’.

- By property category, in your municipality, how much in rates do you estimate would be raised if these non-rateable occupancies were rateable?
 - Under the Cultural and Recreational (0%) we would raise an additional \$121,403.18
 - Under the Cultural and Recreational (50%) we would raise an additional \$17,307.93
 - Non-rateable exempt land (not including Council land) we would raise an additional \$584,163.70
 - Non-rateable leviable land (not including Council land) we would raise an additional \$243,476.91

(All as at 31/07/2019)

Any rates raised would not be additional revenue for council but would reduce the rate contribution from other sectors.

Non-rateable assessments for Cultural & Recreation recognise the important role these groups play in the community.

Exemption of state government and water authorities from rates seems inequitable when councils must pay water rates and state taxes such as the Fire Services Levy.

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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?

HRCC has a rating strategy and a rating policy

- How do you engage your community in determining rates and charges?

As per Council's community engagement policy. Council's Rating Policy sets a trigger for when differentials may be adjusted which would influence the level of engagement that is required.

- If you use a municipal charge, how do you calculate its level?

HRCC's current municipal charge is \$280. This has been set in the past by applying the same % increase as overall rates to the based figure from 1996. During last year's rate review the level was set to be a small amount lower than the previous year. No specific basis was given as to why this specific value was used.

- What exemptions do you apply for municipal charges? How many, and what is the total value?

We exempt the municipal charge if the property is a part of a single farming enterprise. We currently have 1,184 exempt properties, which equates to \$331,520 (as at 31/07/2019)

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

Unknown

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

Miss-communications and poor contracts between property owners and lessees with respect to telecommunication towers

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

We do not have any special rates and charges.

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

We do not have any special rates and charges.

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

Council applies differential rates. We currently have residential (100%), farm (67%), commercial and industrial (95%)

- What criteria does your council use in their application?

For residential, commercial and industrial this is based on AVPCC, for farm the ratepayer is required to complete the 'application for property to be classified as farm land' form if their land is below 60Ha, if it is above 60Ha this is also based on AVPCC.

- What evidence does your council consider when determining the rates in the dollar for your differential rating categories?

For farmland that is below 60 hectares the ratepayer must complete a statutory declaration that they are operating as a farm for business purposes (in accordance with the definition under the Valuation of Land Act) and they must provide a valid ABN number.

- Does your council consider what services should be paid for with other income (e.g. municipal/service/special charges)?

No – all rates both variable and fixed components are considered as general revenue.

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

HRCC does not have any special rates and charges

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

HRCC offers both the four instalment program and the payment in full

- Do you provide other payment options (in addition to offering a choice between paying in four instalments or in a lump sum)?

No only by arrangement for hardship.

- Do you provide any incentives for payment of rates such as early payment? What are they?

HRCC does not provide any discounts or any other incentives for early payment, as to do so would provide a financial benefit unfairly to those that can afford to pay early, versus those who cannot.

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

2019/2020 is the first year that Council has provided an additional \$30 rebate, per property, on top of the State Government pensioner rate concession.

- What are the criteria in your council for providing these rebates and concessions?

The same criteria as the State Government rebate. The provision of Rate Rebates are also covered off in Council's Rating Policy & Rating Strategy.

- What is the total annual value of these rebates and concessions?

As at 05/08/2019 we have 1,749 properties claiming the State Government pensioner concession, therefore Council's total rebate is \$52,470 (1,749 x \$30)

- How do you monitor and report on the community benefits?

The same way that we do for the State Government concession (newspaper, social media, rate notices etc)

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

No specific policy but is covered off in the Rating Strategy & Rating policy and in Council's "Rates and Financial Hardship Policy".

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

We currently only have one ratepayer who has deferred rates and charges. This assessment totals \$4,049.11

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

No specific policy but is covered off in the Rating Strategy & rating Policy and in Council's "Rates and Financial Hardship Policy".

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

We do not generally waive rates and charges, and currently have no one who we have waived rates for.

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

Yes – 10% per annum

- If not, what rates do you apply?

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

Lack of understanding by ratepayers (ie telecommunications towers)

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

If land becomes rateable after our final supplementary valuation is complete, we will make adjustments effective from 1st July, that way the customer is getting a small financial gain (not Council).

If a property ceases to be rateable following our final supplementary valuation we still cannot do a supplementary valuation until 1 July, however this creates a financial burden to the customer. Often we will manually do adjustments and write off the amount that would have been removed if it went through a supplementary valuation, however if this is relying on a valuation change we cannot guess the amount, so we are required to wait until 1 July, therefore financially burdening the ratepayer.

- Annually, over the past 5 years, how many supplementary rates and charges notices have been issued?

Approximately 3,000

- For each of these years, what was the total income for these occupancies?

2014/2015 - \$160,500
2015/2016 - \$199,000
2016/2017 - \$183,000
2017/2018 - \$134,500
2018/2019 - \$136,000

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

Yes – “Rates and Charges Debt Collection Policy”

- 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?

Financial Year	No of legal files	Total Debt Amount
14/15	27	\$69,077
15/16	8	\$22,861
16/17	2	\$3,562
17/18	1	\$9,870
18/19	4	\$14,707

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- 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?

No, this remains as 10% per annum

- Do you have any additional administration fees and charges for managing ratepayers with unpaid rates and charges?

Not internally, only once we have sent ratepayers to the debt collectors (Midstate) ie suing etc

- What type of collection activities do you use to recover unpaid rates and charges?

HRCC offers internal payment arrangements for ratepayers who cannot pay their rates by the due date, if they default on the arrangement, we generally send a text message and a letter before sending them to external debt collection, once at debt collection there are a different set of processes.

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

HRCC does not currently have a policy regarding the sale of land due to unpaid rates

- If no policy exists, how do you apply the relevant legislation?

As per legislation

- Do you apply the same approach regarding selling land where ratepayers live in their property?

We have never sold land where the ratepayer lives at the property

- Annually, over the past 5 years, how many times have you undertaken this process?

Three properties (all done together).

- How many properties have you sold?

Two of the three

- How much has this cost, per instance?

Both assessments sold for \$8,000, and this would not have covered Council's costs for the entire process.

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- How many times have you claimed land instead of selling land?

Never

- How much did this cost, per piece of land?

Not applicable

- What issues have you encountered when selling or claiming land?

Time/advertising etc has tended to be low value land so recouping costs are difficult.

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

If a property is required to go through the supplementary valuation process following settlement, and we have completed our final supplementary valuation for the financial year we write a note on the land information certificate stating “NOTE: This parcel of land is not separately rated or valued. Council will not be carrying out supplementary valuations/rate adjustments upon settlement. Rate adjustments are to be made by Solicitors following settlement. Often Solicitors will struggle to make their own adjustments and contact Council for assistance, which we are unable to provide.

- Do you provide any updates (verbal or otherwise) to ratepayers/would-be ratepayers for these certificates?

We generally only give updates to the Solicitor that has applied for the land information certificate, however we would also provide an update to the current ratepayer if we were asked by them.

- Have you experienced any privacy issues in providing updates? If so, what were they?

No, because we only provide updates to the applicants and the current ratepayers who already have access to that information.

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

Yes, HRCC's 'Rate concessions for cultural, recreational and charitable organisations' policy

- How many occupancies in your municipality are categorised as cultural and recreational lands?

We currently have 61 properties that are paying the 0% rate, and 3 properties paying the 50% rate, so 64 in total.

- Annually, over the past 5 years, how much have you received in lieu of rates in relation to cultural and recreational property?

Nothing in lieu of rates. We have just been charging the 0% or 50% rate which is \$16,471 annually.

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- How much would you receive if you were to assess these properties under your normal rates?

For the 2019/2020 year:

Under the Cultural and Recreational (0%) we would raise an additional \$121,403.18

Under the Cultural and Recreational (50%) we would raise an additional \$17,307.93

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

Starting from 2019/20, we will have one assessment making payment in lieu of rates under the EIA Act

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

This is not a live assessment at this stage, as the commission date for the wind turbines isn't until late August, but we have been given an estimate of \$220,337 for the 2019/2020 year for the payment in-lieu of rates. We have not received any CIV numbers for the windfarm and cannot get them from the Valuer General so we are unable to estimate this accurately at this point in time.

However because the Fire Services Levy is charged on CIV the amount collected from Fire Services is significantly more than that collected from Rates-in-lieu. Which would appear to be quite unfair in terms of services provided to the ratepayer.

19. Other questions

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

We do not keep a record of all rate enquiries, but we would estimate approximately 5 calls per rate staff member per day (20 per day x 240 days in the office = 4,800 per year).

- What software do you use to administer your rating system?

Authority 7.0 (Civica)

- What is the estimated annual hardware/software cost to maintain rates using this system?

The hardware operating costs cover all of councils IT infrastructure so they are difficult to apportion to the Rates Software alone. The rates software itself is a module of a larger enterprise wide finance system (Authority 7.0) this system has an annual subscription fee of approximately \$80k

- How many staff do you employ to administer rates and charges?

We currently have 3 full time staff members, and one part time staff member who works approximately 2 days in rates (2 in customer service).

- What is the total FTE and costs for the rating and revenue function in your council?

3.4 FTE rate and 1 FTE general revenue, total expenditure \$485k.