WELLINGTON
SHIRE COUNCIL
The Heart of Gippsland

Wellington Shire Council Submission to the Victorian Local Government Rating System Review

Overview

Wellington Shire Council (WSC) thanks the Panel reviewing the Victorian Local Government Rating System for the opportunity to make a submission.

WSC is classified as a large regional council and faces many challenges resulting from its geography, which extends from the ocean to the mountains. These challenges include a history of regular natural disaster events, exposure to the impacts of climate change and sea level rise/inundation and the need to provide appropriate infrastructure and services for a number of townships that experience significant population increases during holiday periods.

The Wellington Shire also has many disparate communities and given its vast geographical area, delivery of services is duplicated across towns. Connectivity is also an ongoing challenge with NBN having to be supplemented by the establishment and ongoing maintenance of microwave towers to ensure connectivity to customer service units, libraries and caravan parks in remote areas. This is an ongoing cost and challenge not felt by metropolitan or interface councils.

Infrastructure maintenance and renewal requirements are especially challenging, given factors such as those mentioned above and the extensive network of roads, bridges, drainage, walking/cycling paths, etc. that must be managed.

Council is mindful of the need to service the whole municipality regardless of the spread of population and this challenge becomes even greater given difficult economic conditions, drought, an ageing population and the confines of rate capping.

WSC supports this review and also endorses all comments made in the submissions of Rural Councils Victoria (RCV) and the Municipal Association of Victoria (MAV). WSC also looks forward to the pending review of rate capping as we believe this will also be integral to improving the Victorian Local Government rating system's fairness and equity.

We have also detailed below some key items that we believe the panel should consider as part of their review of the Victorian Local Government Rating System.

Key Items for Review

1. WSC prefers the use of property valuations as a driver for rates calculations as it represents a fair measure and is a common and well understood practice. On that basis, the use of Capital Improved Value (CIV) is a common, transparent and sensible method for property taxation. It leads to the distribution of the rates burden based on asset ownership and when applied in conjunction with Rating Differentials it provides for a more equitable distribution of rates.

2. WSC does not believe that true rating fairness and equity across Victorian Councils can be achieved via changes in the rating system alone; the Rate Capping requirements also need to be reviewed to ensure fiscal equity between metropolitan and rural and regional councils. It must also be noted that Rural and Regional Councils could have their Rate Capping legislative obligations removed and still not achieve fiscal equity with their metropolitan counterparts as rural and regional Councils do not collect substantial parking fees and other charges. It is also our contention that rate capping is not an effective tool in managing individual community expectations in terms of service needs versus capacity to pay. Therefore, the review of the rating system needs to ensure that the impacts of rate capping are also measured.

3. Restricting the scope of the review to exclude the relationship and impact of state government taxation systems on local government rates is limiting and an opportunity missed. As the MAV pointed out in its submission (MAV Submission to the Victorian Local Government Rating System Review, Section 4.3) State property tax revenue has increase by 33% since 2015/16, whereas local government rates have increased by 9% in the same period.

   The evidence demonstrates that the state government continues to 'muscle in' in property taxes in Victoria, while suggesting at the same time that local government rates are problematic.

4. We also contend, as do other Councils, that the following exempt commercial activities, fees for service providers, private sector competing activities, or defined categories of exemption should be revoked and made rateable so additional income from rating these property categories, could be applied to reduce the rate burden on other ratepayers ;
   - Solar/Wind Farms and Electricity Generators
   - Universities and 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
   - Crown Land used for commercial purposes

5. There also needs to be greater focus on reviewing road and bridge infrastructure responsibilities split between Councils and the State Government's Road Authority, Vic Roads, or the creation of a specific Small Rural/Regional Funding Program to assist with these ongoing infrastructure maintenance costs.

6. The ability for Councils to apply Differential Rates should not be restricted, as they can be a useful tool for Councils to address equity issues. However differential rates are just that – a useful tool – they should not be viewed as a panacea for Councils to address fundamental equity issues within and across property sectors.
   Councils are unable to 'forensically' assess factors like affordability and financial capacity both between and within property sectors. Wellington Shire Council, for example, has historically offered a 20% differential for farming properties. However, there is little 'science' or evidence-based approach to support this. Within our diverse agricultural sector, we have irrigated vs

dryland properties, intensive horticulture vs cropping, and a multitude of farming activities of different scale. It is simply impossible to assess affordability and capacity across such a diverse sector.

In a nutshell, differentials should be retained as a tool available to Councils to deploy. They should not be subject to further restrictions or prescriptions, and they are certainly not to be viewed as a solution to address equity and fairness.

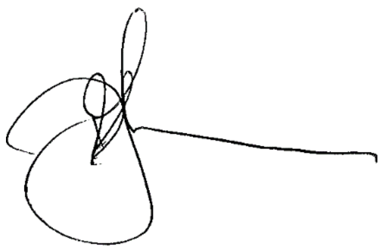
7. There also needs to be a much clearer understanding of the Victorian Rates system for all ratepayers via the following:

    - Splitting Valuation and Rates Notices – this allows ratepayers to easily review their annual valuations and provides them with a clear option and timeline to object to the valuation of their property if they so desire before they receive their rates notice. It also means that Councils would benefit from earlier Valuation returns from the Valuer General.

    - Standardising Rates Notices – so that they clearly detail what Council charges in rates and also what is being collected for other levels of government via the Council's rating system i.e. Fire Services Property Levy, EPA Levy etc.

    - Further education for ratepayers via the "Know Your Council" Website:
        - detailing clearly other charges in the rate notices - what Council charges in rates and what is being collected for other levels of government i.e. Fire Property Services Levy, EPA Levy etc.
        - adding further information so that ratepayers can clearly compare, fees and charges raised from parking fines.
        - Comparisons of grant funding received for capital projects.
        - Comparative operating costs across Councils for example ICT infrastructure implementation and ongoing costs.
    - Change the way that Council's quarterly and annual financial statements are required to be reported so that both ratepayers and the media can easily understand the difference between grant money received, which must be reported as income immediately even though it has already been allocated to a capital project that may not be completed in that financial year, versus Council's true operating surplus

Regards



DAVID MORCOM
Chief Executive Officer