



Mildura Rural City Council

File: 02/02/12

1 November 2019

Ministerial Panel for the
Victorian Local Government Rating System Review
C/- Department of Environment, Land, Water and
Planning
Level 35, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Sir/Madam

VICTORIAN LOCAL GOVERNMENT RATING SYSTEM REVIEW

Thank you for visiting Mildura and the opportunity provided to Council and the community to attend the consultation meeting on Thursday 17 October 2019.

Some of the points discussed at the meeting are listed below and attached is supporting information and data to assist with putting these points in context for the Mildura Rural City local government area:

- Financial Assistance Grants/Victoria Grants Commission should be further weighted within the Remoteness cost adjustor to provide more relief to remote and rural local government areas to assist them to reduce the unfair rate burden on rural ratepayers when comparing the allocations to those of our metropolitan and city counterparts.
- State Level Pensioner rebates needs to be increased from \$235.15.
- Rate exempt properties should be required to demonstrate community benefit through an assessment process and not simply be exempted based on charitable, religious purposes per section 154 of the *Local Government Act*.
- Mines are operated commercially and the damage to roads and demands on other infrastructure and services through their operation can be significant and as such these should be rateable.
- Though beyond the current scope of the Review, we believe there is, at a Federal Government level, a need for consideration of a structural change to the system to remove the reliance of Capital Improved Value (CIV) as a benchmark and instead view each municipality holistically and determine relevant need. Funding would then be provided appropriately from a general tax, which would be imposed on every income earner instead of the relatively few (29,354) property owners. In essence, creating a user pays system. The only exception might be commercial properties, which could still be assessed on capital improved value.

ABN 42 498 937 037

P PO Box 105, Mildura, Victoria 3502

DX 50014, Mildura

www.mildura.vic.gov.au

T 03 5018 8100

F 03 5021 1899

E mrcc@mildura.vic.gov.au

Deakin Avenue Service Centre 76 Deakin Avenue, Mildura

Madden Avenue Service Centre 108 Madden Avenue, Mildura

Ouyen Service Centre 79 Oke Street, Ouyen

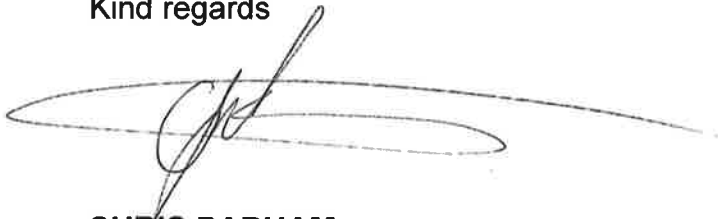
To: Ministerial Panel for the Victorian Local
Government Rating System Review
File: 02/02/12

1 November 2019

Page 2

We look forward to a positive outcome from the Rating Review for the
community.

Kind regards

A handwritten signature in black ink, appearing to read 'CP', is written over a large, horizontal, light-colored oval scribble.

CHRIS PARHAM
GENERAL MANAGER CORPORATE

enc

CP/sy

Victorian Local Government Rating System Review

SUPPORTING INFORMATION



Mildura Rural City Council

Contents

The Mildura Local Government Area	1
Mildura Rural City Council Sustainability and Service Delivery	1
Asset Renewal.....	5
Rates and Rating Strategy.....	6
Mildura Rural City Council - The Future.....	7

The Mildura Local Government Area

The Mildura Rural City Council local government area is located in the northwest corner of the state of Victoria. The municipality covers an area of 22,330 square kilometres or approximately 10 per cent of the state with approximately 29,354 rateable properties as at the start of the 2018-2019 financial year and a population of 53,878.

As a local government organisation, Mildura Rural City Council delivers more than 100 different services, facilities and infrastructure for people who live, work and visit our region. The work we do is vital to ensure our regional city continues to grow and attract new business and investment.

Mildura Rural City Council Sustainability and Service Delivery

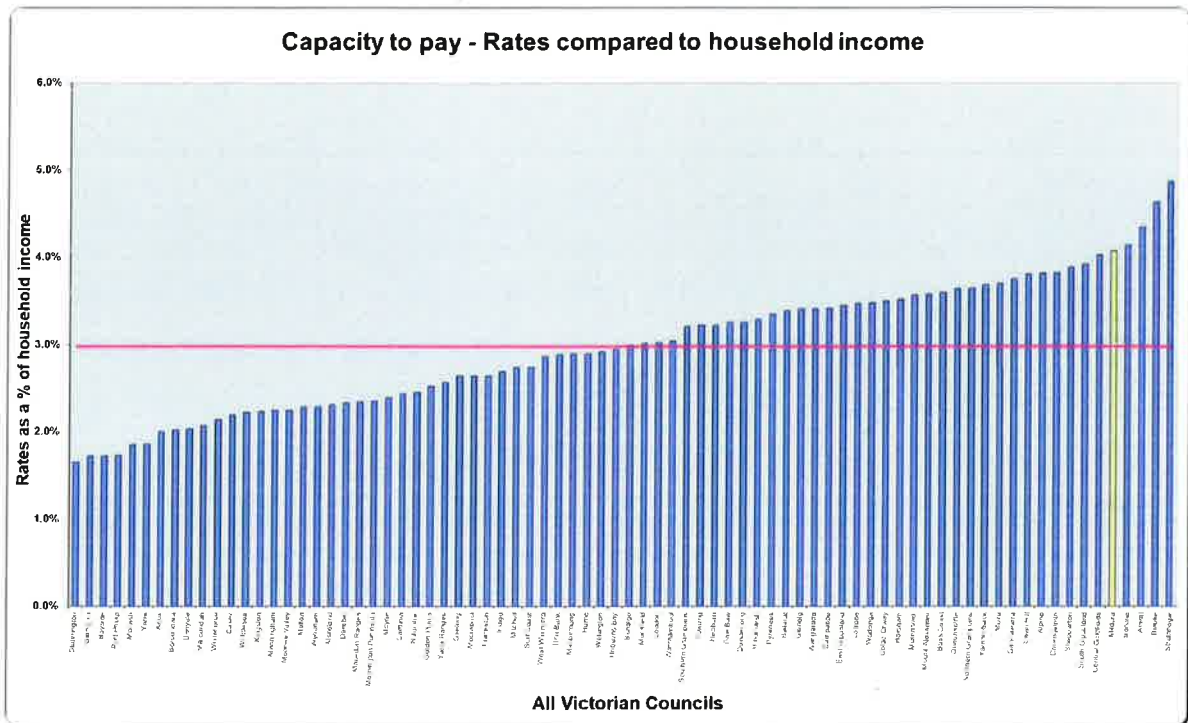
At the end of 2012, Mildura Rural City Council commenced a 'Sustainability Review'. The intention of this review has been to systematically analyse and evaluate each service area across the organisation asking two fundamental questions:

1. Should Council be providing this service?
2. If so, what should we be providing, at what level and how can this be done as efficiently as possible?

The sustainability review process and objectives are:

- to review all services provided by Council against the Victorian Local Government Best Value Principles and to establish:
 - best service mix to meet a broad range of community expectations
 - most appropriate delivery model for each service
 - appropriate levels of service
- identification and maximisation of cost savings now and into the future
- identification of opportunities for improvement/better ways of delivering services
- opportunities for shared services with other councils/organisations
- improved targeting of services.

The catalyst for starting down this path was not rate capping or the freezing of grant indexation; it was the availability of objective data that clearly spelled out our community's lack of capacity to pay.



Source: Strategy Plus 2016/2017

The inherent characteristics of our municipality mean that we are required to deliver services and infrastructure as a regional city but the reality is that our revenue raising capacity is only that of a large shire.

The community only has so much money to spend and changing the mix or percentage of whether revenue is raised via rates via a cap or user fees and charges is futile.

A 2016 study (*Whelan Report*) of our municipality's financial sustainability reinforced these points, revealing that population density, dispersion and remoteness were not only significant influencing factors in residents' capacity to pay but were what set the Mildura Rural City Council area apart from much of the state.

Mildura's population density was a fifth of the regional city average, while its rate of dispersion was more than double the regional average. Our remoteness, meanwhile, was almost five times the Regional City Average.

Mildura, as with other regional centres, is experiencing a prolonged period of economic transition. Traditionally strong industries of horticulture, agriculture and manufacturing are undergoing a significant adjustment period, contributing to high levels of economic and social disadvantage and poor levels of regional growth, relative to the Victorian average.

The average median household income is \$1,064, considerably lower than the Victorian average of \$1,419. Recent Australian Bureau of Statistics (ABS) census data indicates 26.8 per cent of households make do with less than \$650 gross weekly income; almost seven per cent more than the Australian average.

Source: ABS Quickstats Mildura LGA 2016 Household Income

The employment in agriculture, forestry and fishing has reduced by 35 per cent between 2001 and 2011. Retail trade and Health Care/Social Assistance are now the two most dominant sectors, employing some 6,234 people, or almost 28 per cent of the workforce, with 10.6 per cent in the agriculture, forestry and fishing sector. *Source: REMPLAN Mildura RC (Dec 2017)*

Mildura remains the largest regional centre in Victoria without a passenger train service, adversely affecting the community's capacity to interact effectively with existing public transport services to metropolitan centres.

How do Mildura Rural City Council rates compare to other areas in Victoria?

According to the most recent Victorian Government data, Mildura Rural City Council residents, on average, pay more than residents living in similar councils. The data states the average residential rate for Mildura residents in a state-wide comparison is also higher.

Average residential rate per residential property assessment

Amount of rates charged on average for each residential property

MILDURA RURAL CITY
(2017-2018)

\$1,917.78

SIMILAR COUNCILS
(2017-2018)

\$1,777.11

ALL COUNCILS
(2017-2018)

\$1,625.06

Source: Know Your Council website 2019

Due to our size, remoteness, low population density and large number of services, Mildura Rural City Council incurs increased costs per resident than larger, more densely populated councils including Ballarat, Bendigo and Latrobe - and only marginally lower than all similar-sized councils that have much smaller geographic areas.

Expenses per property assessment

Amount of council expenditure for each property

MILDURA RURAL CITY
(2017-2018)

\$3,744.79

SIMILAR COUNCILS
(2017-2018)

\$3,548.13

ALL COUNCILS
(2017-2018)

\$3,173.85

Source: Know Your Council website 2019

Mildura being 550km from Melbourne, 400km from Adelaide and 1,015km from Sydney introduces further challenges in regard to freight costs for goods and raw materials, along with access to a limited number of local suppliers for service provision or associated travel and accommodation costs being incurred to access capital city or metropolitan based providers.

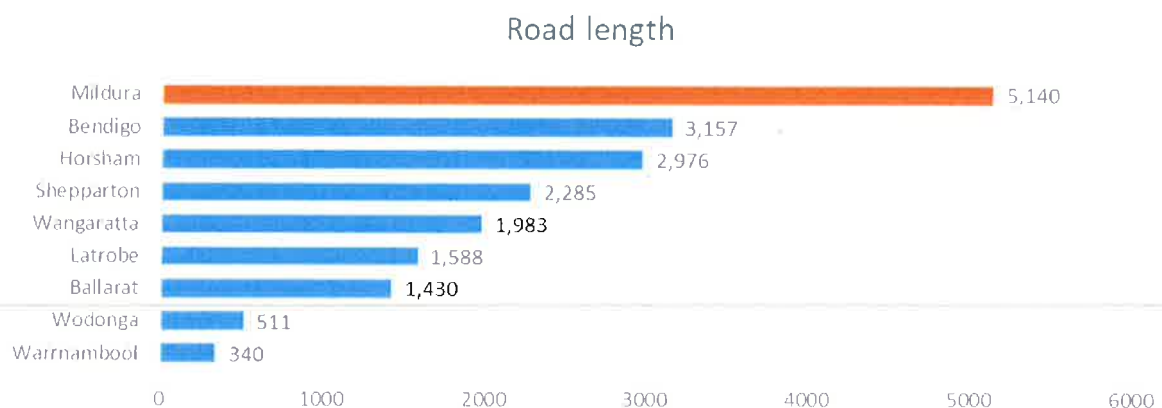
These geographical distances also make the opportunity for shared service delivery arrangements with other councils challenging to maximise these opportunities.

Council does participate in a number of state government, Municipal Association of Victoria (MAV) and Procurement Australia (PA) bulk purchasing contracts. A further example is Council's participation in the Central Victorian Greenhouse Alliance Lighting the Regions bulk street lighting upgrade project.

The extensive use of panel contracts established directly by Council with its supplier base also drives competitive pricing through pre-qualified suppliers being required to compete with other supplier members of the panel for Council supply of goods and services.

The significantly larger area and resulting number of remote townships (and therefore population dispersion) that Council services leads to the necessary duplication of facilities (and therefore costs and staffing requirements), such as halls, libraries, waste services, public amenities, parks, swimming pools and sporting facilities.

Council's expansive road network compared to similar-sized councils is a prime example and a significant contributor to our higher cost per population. When considering population of the municipality divided by the total kilometres of roads Council is responsible for, there are 10.82 people per length of road in the Mildura Rural City Council area compared to 51.29 people in similar councils, and 108.55 people state-wide. This highlights Mildura's unique size and distance, and subsequently time, cost and resource demands to provide services.



Source: Know Your Council website 2018

Population density per length of road

Population of the municipality divided by the total kilometres of roads under the control of council

MILDURA RURAL CITY
(2017-2018)

10.82

SIMILAR COUNCILS
(2017-2018)

51.29

ALL COUNCILS
(2017-2018)

108.55

Source: Know Your Council website 2019

While the municipality does include large areas of national park, staff must still negotiate or drive around these parks to provide services, as well as access Council roads and other infrastructure, particularly in outlying areas. This increases the time and cost of providing services.

Asset Renewal

Councils across Australia raise approximately three-and-a-half per cent of the total taxation collected by all levels of government in Australia. In addition, councils are entrusted with the maintenance of more than 85 per cent of all local roads across Australia and more than 30 per cent of the all Australian public assets including, bridges, parks, footpaths, drainage and public buildings.

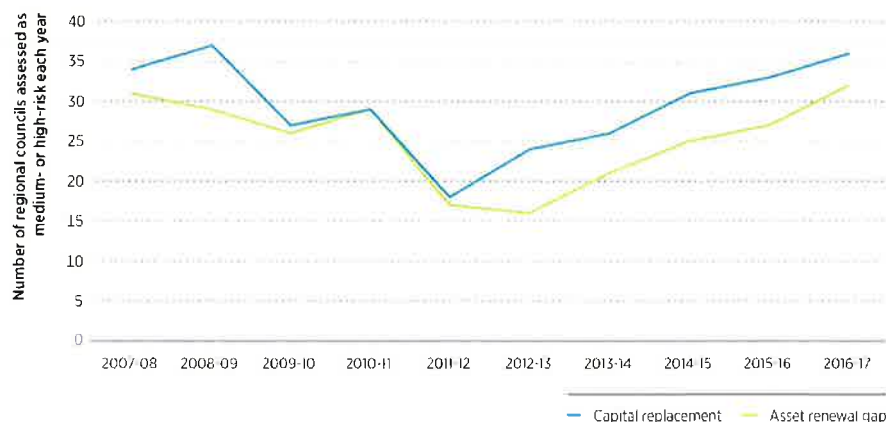
This means that a large proportion of Council's income must be allocated to the maintenance and replacement of these valuable public assets in order to ensure the quality of public infrastructure is maintained at satisfactory levels.

Council needs to remain financially viable into the future in order to fund the level of service provision and its asset renewal requirements. This was highlighted in the Commission of Inquiry into Ararat Rural City Council.

"The Commission recommends that the Minister recommends to the Mayor of the Council that Council undertake a review of its current range and level of service provision to the community with a view to making structural changes that ensure it can fully fund its asset renewal requirements and remain financially viable over the long term."

In the Victorian Auditor-General's Office *Asset Management and Maintenance by Councils* report (page 6), the Auditor-General estimated that the renewal gap for Victorian councils in 2012 was \$225 million. The Auditor-General's annual analysis of councils' renewal gap and capital replacement efforts (an indicator looking at the total expenditure on assets) show that the situation has become worse over the last five years for regional councils (see Figure 1.2).

Figure 1.2 Victorian Auditor-General's Office asset renewal and maintenance indicators, regional councils



Source: Committee calculations based on Victorian Auditor-General's Office, *Results of 2016-17 Audits: Local Government* (2017), Appendix F; Victorian Auditor-General's Office, *Local Government: 2015-16 Audit Snapshot* (2016), Appendix D; Victorian Auditor-General's Office, *Local Government: Results of the 2011-12 Audits* (2012), Appendix E

Source: Victorian Auditor General's Office, *Asset Management and Maintenance by Councils* (2014), p.2

Rates and Rating Strategy

Our *Community and Council Plan 2017 to 2021* states that Council will be an organisation that is financially sustainable and meets the needs of the community in a financially responsible manner.

The objective of a rating strategy is to ensure financial sustainability for Council while achieving the following tax design principles:

- **Equity:** including both horizontal and vertical equity in the basis of rating. Horizontal equity means that those in the same position (ie with the same property value) should be treated the same. Vertical equity demands that higher property values should attract a higher level of rates.
- **Efficiency:** ensuring that the rates should not unduly interfere with the efficient operation of the economy. The rates should be consistent with the major policy objectives of Council.
- **Simplicity:** of administrative ease (and therefore lower costs) as well as to ensure the rating system is understood by ratepayers. The latter ensures that the rating system is transparent and capable of being questioned and challenged by ratepayers.

Council's current rating structure is comprised of two key elements. These are:

- property values, which form the central basis of rating under the *Local Government Act 1989*
- a user pays component to reflect usage of certain services provided by Council.

We strive to strike a balance between these elements to achieve equity in the distribution of the rate burden across residents.

Council makes a further distinction within the property value component of rates based on the purpose for which the property is used. That is, whether the property is used for residential, farming or business purposes and a rate concession for recreational land.

These rates are structured in accordance with the requirements of Section 161 'Differential Rates' of the Act.

As per the 2019-2020 Budget, the estimated total amount to be raised by general rates in relation to each type or class of land, and the estimated total amount to be raised by general rates, compared with the previous financial year, is as follows:

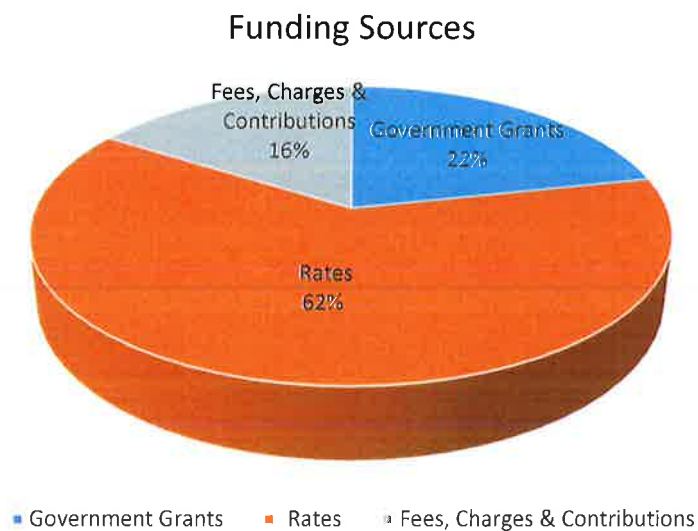
Type or class of land	2018/19	2019/20	Change	
	\$'000	\$'000	\$'000	%
Residential differential rate	34,105	38,485	4,380	12.8%
Farm land differential rate	10,073	-	(10,073)	(100.0%)
Dryland farm differential rate	-	4,177	4,177	100.0%
Irrigated farm differential rate	-	5,637	5,637	100.0%
Business differential rate	12,272	13,316	1,044	8.5%
Cultural and recreational	15	18	3	20.0%
Total amount to be raised by general rates	56,465	61,633	5,168	9.2%
Mildura City Heart special rate	595	610	15	2.5%
Total amount to be raised by general rates	57,060	62,243	5,183	9.1%

The number of assessments in relation to each type or class of land, and the total number of assessments, compared with the previous financial year, is as follows:

Type or class of land	2018/19	2019/20	Change	
	Number	Number	\$'000	%
Residential differential rate	23,095	23,514	419	1.8%
Farm land differential rate	3,339	-	(3,339)	(100.0%)
Dryland farm differential rate	-	1,545	1,545	100.0%
Irrigated farm differential rate	-	1,796	1,796	100.0%
Business differential rate	2,434	2,388	(46)	(1.9%)
Cultural and recreational	84	89	5	6.0%
Total number of rateable assessments	28,952	29,332	380	1.3%
Mildura City Heart special rate	368	368	-	0.0%

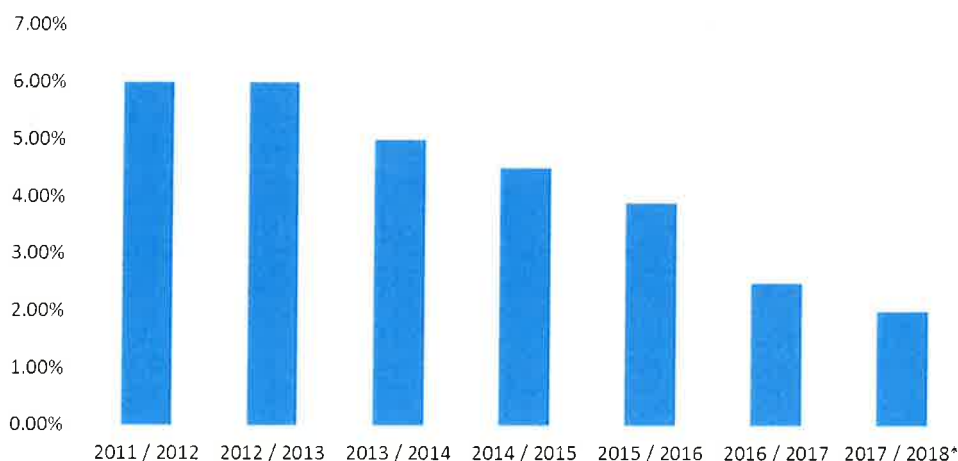
A Waste charge is applied to all properties where a kerbside waste collection or street sweeping service is available, including vacant land. The revenue from this charge is used to provide waste management services such as street sweeping, landfills and recycling programs.

Revenue sources in 2018/2019 as a percentage of budget is as follows:



Mildura Rural City Council - The Future

We have made a conscious effort over the past six years to curb rate increases – an effort that has seen rate increases drop to a third of what they were in 2012-2013. This is a mission that commenced prior to the introduction of rate capping. This is supported by capital investment policies such as ‘renewal over new’ in an effort to minimise the asset renewal gap.



According to the Municipal Association of Victoria, for every \$100 in taxes paid by Victorian residents, only \$3.50 is collected through rates by local government. The remaining \$96.50 is paid directly to the state and federal governments. Local government still receives less than one per cent of the public tax income via Financial Assistance Grants.

Mildura Rural City Council will continue to look for savings and organisational efficiencies and opportunities to raise revenue from sources other than rates, where we can, to keep rate increases to a minimum in acknowledgement of the lack of capacity for our community to pay and our unique geographic requirements.

This is not going to address our infrastructure renewal gap or enable us to provide monetary contributions to undertake significant projects into the future. Put simply, many current operational and service costs need to be transferred back to the state government and one-off grants be made to make up the backlog.

Recent Australian Bureau of Statistics (ABS) census data indicates 26.8 per cent of households in the Mildura local government area make do with less than \$650 gross weekly income; almost seven per cent more than the Australian average.

If we accept that one of the fundamental roles of a democratic government is the redistribution of wealth to ensure all citizens have equal access to services and facilities, and therefore quality of life, then the change that must be considered is how local government is funded by other levels of government without cost shifting to local government in the process to provide the services and infrastructure our citizens require in a transparent and accountable manner.