Local Government Rating Review - 2019

I refer to the Local Government Rating Review. As someone who has worked in the industry since 1988, mostly in NSW but recently in Victoria, I am aware of a number of changes which I believe should be considered to move towards what I consider to be "Best Practice". The items which I have outlined below are entirely my personal views, and do not necessarily align with my employer's official view. I am submitting this as a citizen of Victoria.

In no particular order, the items which I believe should be considered for amendment are as follows:

- Owners should be listed on all rate notices incl leased property. Owners must be ID verified prior to the purchase of property, and rate notices are used for State and Federal 100 point ID checks, plus bank loans and account opening etc. The use of non-verified "persons" on official ID documentation in this age of identity theft is a loophole which should be closed ASAP. Notices should be addressed to the owner, care of their tenant, if the owner so desires. Ultimately, the owner is responsible for payment, and valuations etc. Official taxation notices should never be addressed directly to a non-verified person/entity, regardless of the tier of government which is doing so. No other tier of government is expected to do this, yet Victorian councils are mandated to act based on an unverified, written note from a landlord. The issue is not the payment, it is the fact that the wider community, including the financial industry, regards a name on a rate notice as being some sort of "truth" when in fact it is not.

- Lump sum (15 February) as a payment option should be removed for all properties. If there is a political need to retain it say for farmland, then it should be opt in, prior to the 1st instalment. The current system is a debt trap, inaction results in nothing being overdue whilst a debt is manageable (i.e. when the September instalment is missed), and the entire annual rate debt becoming due at the same time as the post-Christmas and return to school credit card bills. This is the complete opposite of the recommendations from the Victorian Government's own Essential Services Commission's review of consumer debt and hardship management in the Electricity Retail Industry, which recommended smaller, more frequent billing cycles, and follow up when the amounts overdue are small and manageable. Forcing all councils to do the opposite, rewarding customers who ignore their September Instalment with a 5 month debt holiday, then slapping them with a 12 month bill in February, is far from best practice. Yet this is proposed to be mandated for all of Victoria. In NSW, quarterly instalments are mandated. If customers wish to make a single payment, it is to be done at the same time as the first instalment.

- Rate exemptions should be clarified, and fair reasoning should be considered. Where a charitable use is claimed, it should be clearly charitable, and not simply be owned or operated by a charity. Full fee child care, nursing homes and medical centres spring to mind, as they are competing unfairly with their commercial neighbours and claiming exemptions which are neither charitable nor available to their commercial competitors. And they are definitely competitors, there are commercial entities masquerading as charitable organisations. Whilst the current Act leans towards the use of the land, it is effectively silent on consideration of the profits generated from that use. Whichever way it is decided, it needs to be clarified in the Act. (s555 and s556 NSW Local Government Act is much clearer).

- Non rateability should not be permitted for tenancies unless the tenant is responsible for the rates in their lease. A commercial landlord should not gain a financial windfall simply because their tenant uses the property for a rate exempt purpose. The tenant should gain that windfall, or it should not exist at all. Otherwise there is no benefit to the tenant, and therefore the community as a whole should not be subsidising the profits of the commercial landlord. In other states, ownership is one

factor which must be met, in addition to the use purpose, to claim a rate exemption (s555 and s556 NSW Local Government Act is much clearer).

- Private schools and private hospitals should contribute to the council, even if a portion of the general rate similar to SA, or CRLA properties. They use services funded by local ratepayers, yet in many cases their students are not locals. Think sporting facilities, parks, footpaths, roads, traffic management and crossing supervisors, let alone the roadside cleaning from the inevitable albeit often accidental dropped rubbish. All this is funded by locals, and often, especially for the elite private schools & hospitals in metropolitan Melbourne and major Regional cities, used by non locals. Similarly, commercially-used property within university campuses or hospitals (banks, cafes, shops etc) should be made rateable, under a separate occupancy/valuation, to align with their offsite competition (refer NSW LGA s556(1)(L)).

- RSL clubs with more than a minimal number of gaming machines (possibly set by Regulations) should have their rate exemption discontinued, due to their competition with other similarly funded clubs and hotels which do not receive this exemption. Again, they are competing in an entertainment marketplace. Ones with minimal gaming machines would continue their exemption, as it could be argued that their primary purpose remains as per the original intent of the legislation.

- Waste charges should be limited to cost recovery, and should be mandatory to be excluded from rates. NSW LGA S496 is the model. This will show customers the true cost of waste, and separate it from normal revenue & expenditure. It should be quarantined from general revenue, and any EOFY balance should be carried forward into the following year as either a debit or credit. Councils should neither lose, nor gain, based on waste charges. Rate income is spent in discretionary ways, waste is an essential service and thus should be treated differently from both a revenue and expenditure viewpoint.

- Reporting of "Rates" should only include rates. There is an inconsistency whereby sometimes "rates" are rates and municipal charge, and other times they are rates, municipal change and waste service charges. This should be standardised around "rates" being rates and municipal charge, to align with the rate capping terminology. The proposal to rename the municipal charge to "fixed rates", and thus align it with the fire services property levy (with a fixed and ad valorem component) is a positive move. Excluding waste from "rates" reporting is not proposed, but it should be. That way, "rates and charges" would include waste, whereas "rates" would not. As waste is a cost recovery service (or at least it should be, see my previous point), the charges levied are something that councils do not directly control. Accordingly, they should be separated from "rate" reporting. This includes in budgets, LGPRF reporting, and comparisons between councils. Comparison of waste should continue, but separated from rates. This would also remove the misreporting of large so-called rate increases which are in fact increases in the waste charges brought on by the recycling crisis and the State Government's landfill levy.

- Councils should be able to reclaim lost income due to valuation objections and errors (excludes normal supps), without the requirement to seek the ESC's permission for an above-cap increase. These should be built into the cap calculation. Consideration should be given to properties becoming, or ceasing to be, exempt from rates to be treated the same way, built into the cap calculation. For the avoidance of doubt, I am proposing that Categorisation changes should remain outside this proposal, as should normal supps. The only items affected are those which, had they been correct in the first place, would have been built into the proposed Budget, and are therefore not part of "business as usual" and should not result in an effective financial penalty to council especially now

that Council is no longer responsible for the valuations on which it relies. This is standard practice in NSW rate capping and has been for many years.

- Valuation returns – whilst out of the direct scope of this review, I am raising the compressed timelines between what is now an annual revaluation, and the use of these values by Councils. By moving the valuation date to 1 July, rather than 1 January, valuation notices could be sent in say October. The bulk of objections would be processed and completed prior to budgets being finalised, rates (in dollar) being advertised, and rate notices issued. This would reduce the amount of "lost" income identified in my previous point. It would also ensure that both Land Tax and Council Rate Notices display the same valuation, as they would both be using the same 1 July valuation date. A Land Tax notice issued in March would align with the Council Rate notice issued a few months later in July. Currently there is a 9 month lag between the Council notice in July, and the Land Tax the following March. This causes a lot of angst and confusion for customers.

- Supplementary valuations should be permitted to be processed, and the rate in dollar amended accordingly "due to changes in valuations", after the proposed budget is advertised. Currently councils are forced to effectively stop processing supplementary valuation adjustments for around 30% of the year (March until June), simply to avoid exceeding their rate cap. Ratepayers should be treated equally irrespective of the time of their building works. Similarly, where documentation should have been supplied to councils but was not (such as demolition final inspection certificates and occupancy certificates), councils should be empowered to retrospectively apply the change that would have occurred had it been submitted on time. Customers who have demolished are being penalised by the current process as their rates are not being reduced until July. The current "reward" for inaction and non-compliance with the relevant Building Act(s) after construction has completed should be removed. Sate and Federal taxes are issued retrospectively when a ratepayer fails to comply with their obligations, council rates should be no different.

- The rateability of electrical pole-located substations should be clarified. The Electricity Industry Act (s94) states that land is not occupied land (and therefore becomes rateable) "merely because any pole, wire or cable" is on, under or over that land. Substations on the ground are rated as they are deemed to be a separate occupation of land, and the inferred exemption for the pole mounted equivalent needs to be clarified. If these are to be rated, the major beneficiaries will be rural and regional councils as they have many more of these than do metropolitan councils.

- Short stay accommodation should be treated as commercial (subject to dominant usage under the Valuation of Land Act and the implementation of the AVPCC). They are competing against hotels and the like, and should be rated accordingly.

Thank you for the opportunity and I look forward to the outcome of this Review.

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