BAW BAW SHIRE RATEPAYERS AND CITIZENS ASSOCIATION

SUBMISSION TO: Ministerial Panel for the Victorian Local Government Rating Review

FROM: [redacted] Hon Secretary

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The Rating System and Structures are distinct to each Local Government area with these Structures putting pressure on most Regional communities including Baw Baw Shire. The Ministerial Discussion Paper has a chart which details the average percentage of rate revenue sources in Local Governments across Victoria - This pie chart shows the average for Rates, Special Charges and Waste Charges to be 54% for 2017/18 across the State. Baw Baw Shire Income for 2018/19 for all rates, etc. is 63.36% with Government Grants totalling 17.58% . This illustrates the greater dependence on increasing rate revenue by Councils, particularly Baw Baw Shire, as well as the necessity to maintain and increase the rates revenue pool.

- Given the increasing, and high dependence on rate revenue by Councils, State Government must consider allocating a portion of the Land Tax Revenue back to Local Government Regions, particularly those, like Baw Baw Shire, struggling with the needs of a rapidly increasing population and housing developments in the area. Baw Baw Shire is the fastest growing peri-urban area in the State.

- The Rate Cap is seen to be working in that the amount of rates is restricted at this stage, to an increase of 2.5% in line with the Fair Go Rates System (FGRS). However the revaluations are compromising the principles of the FGRS by imposing large increases on the valuation of land and property which now occurs on an annual basis. There have been extremely high rate increases particularly for those living within the Precinct Structure Plan Boundaries. There was an increase of 16.6% ($2,085,900,000) in CIV Valuations in Baw Baw Shire Budget for 2019/20. In this area of Gippsland, the increasingly rapid development and growth is causing frustration, concern and disadvantage to property owners.

- The ratepayers, quite rightly, expect to be informed about the “drivers/triggers” resulting in the annual increases in revaluation of their properties. This does not occur and is not required to occur under the Act. Information and knowledge when any increase over 20% occurs, must be transmitted to property owners. Residents have an entitlement to information relating to their rates and charges.

- Identification of the “triggers” applied – e.g sale of like properties; improvements; suitability or proximity to development, etc. could be included on the “allowed/disallowed” response following an objection. Council must justify their policy to ratepayers.

- The local Valuer, a delegate of the Valuer General has the authority to make these assessments, and to some, it is very subjective. There is no accountability to owners, limited transparency, and very little common sense being applied.
- Confusion occurs for ratepayers as valuations are the responsibility of the Valuer General and objections, etc. are handled by Council Staff – quite often front counter staff. One would assume those nearest the location of the property would understand and be empathic to their concern, frustration, etc. Quite often this is not so. This confusion must be addressed by the Valuer General, as the assessment is the responsibility of the Department, with Council and Staff being in a position to inform and educate the community.

- Concern and frustration continues in the community about the lack of understanding within Council and Council Staff about the impact of the differentials and a lack of concessions in relation to the rate categories. Please note the following categories:-
- **Farm Rate** – Farmers are price takers; they have and require larger acreages; face increasing costs; are aware of the necessity and importance of food security and the availability of food to the cities and export, usually via a middle man/men. It is impossible for farmers to pass on rate increases commercially. Higher land valuation does reflect a greater capacity to pay
- **Commercial/industrial** –Retailers/owners have to - operate within street and road works which in some cases impact drastically on their businesses for months at a time; negotiate the impact of large retail centres, neighbouring vacant premises and online retail practices. Baw Baw Shire Council assume that Rates are Tax deductible which is correct; but the assumption that business is making a profit and therefore pays tax...to enable some tax to be paid back in many cases in this Shire, is not accurate. In the example if the business did not make a profit for the year they would be out of pocket for the total rate expense.

- Consideration also needs to be given to **Commercial/Industrial Category** where it is assumed that the land owner pays the rates. In many cases the Lease Contract details that outgoings now include payment of rates and other council charges. However the Valuer does use rental potential to assess the Capital Improved Value of commercial and industrial properties. There is no account given to the lack of Improvements or improvements (whichever) in some of these properties – toilets, water, as well as age of the building. This particularly results in some very inequitable and unfair valuations for some retailers.

- **Efficiencies, equity and impact to payers** are very much part of the Review Discussion Document. Council does not appear to understand some of the realities impacting those covered by various categories. The contradiction of managing the Council Budget with the main revenue source being rates is in conflict with the above Principles.

- In Baw Baw Shire, The **Urban Living Rate** saw a reduction of 2 in the number of properties along with an increase of 45.1% ($411.000) in the rates revenue to be collected for 2019/20
  including farms. It must also be noted that the CIV revaluation of Urban Living Properties in 2019/20 saw an increase of 63% ($165,479,000) spread across 130 properties. This overlap with long term farming enterprises operated by family groups has resulted in an extraordinary increase in rates, increasing each year since the Precinct Structure Plans were established in 2014. This unintended consequence must be addressed.
  In a number of cases these Farms are family operated across generations. Councils literally are forcing Farmers and owners of life-style properties into positions where they have no choice but to sell to developers. Prime Agriculture Land is being lost forever. Again ownership does not reflect capacity to pay.
  Consideration must be given to the capacity to pay. Ownership does not necessarily reflect capacity to pay.
  This matter needs to be reviewed and reflected in the Valuation Land Act.
  Refer to the Act, Definitions - *"urban farm land "………….*
  ……………………(a) by reasons of it proximity to land which has been or is being developed for
  residential, industrial, commercial or other urban purposes
  (b) by reason of its proximity to land which has been or is being sold into or
  allotments used or intended to be used for predominately for recreational
  or residential purposes ---
  and on which in the opinion of the valuer any farming operations would be ancillary to the predominant use of the land."
  This statement is viewed as contrary to ALL levels of Govt. stating their support for, and reinstating their view of the importance of farming to Australia, both domestically and for export.
  A category must be established to achieve a fair and reasonable result for both genuine farmers particularly, and those who have no intention of selling their land for many years to come as well establishing a fair revenue source for the councils.

- **Cost Shifting and transfer of responsibilities** for service provision to Local Government adds financial pressure on both the community and Councils. The need for the level and standard of services as seen in the metro areas to be achieved, also adds to the challenges of establishing and maintaining these services in rural and regional areas – pools, sports grounds, kindergartens, etc.. The increasing demand and growing expectations from community further add to the need to increase revaluations and thereby, increasing the rate revenue base, in order to provide these projects and the necessary infrastructure required in the Shire. A more realistic shift of responsibility with adequate revenue attached or another allocation (Portion of Land Tax) from State Government would ease the burden of the required increase of rates on both Councils and residents.

- **All ratepayers are at risk** when Councils target a specific section of their revenue base and increase rates by redistributing the revenue sources. If there is a need and reason, when distribution occurs, Councils believe they must maintain the level of rate base without consideration of the impact on targeted ratepayers. Increasing another category to maintain the rate base does not reflect the spirit of the definition of the CIV i.e. the use valuation of property and improvements in the category which is to be increased.