

Local Government Rating System Review

What it means for ratepayers

Councils use rates to fund essential services and facilities that meet the needs of their communities like local parks, libraries, community centres, roads, kindergartens, waste collection and sports grounds.

What was the Rating System Review?

In 2018, the Victorian Government committed to a review of the local government rating system to ensure rates are fair and equitable for all of the community.

A Ministerial Panel was appointed to lead the rating system review in consultation with the community, ratepayers and councils.

The review reaffirmed the importance of the local government rating system to fund essential infrastructure and local services.

It found the rating system is not broken and is in line with many of the principles underpinning a good taxation system.

The Panel made 56 recommendations that cover a broad range of reforms, from major legislative change to small administrative improvements, with both short- and long-term implications.

The Government Response

The Government response supports 36 of the Panel's recommendations in full, in-principle or in part.

The Government does not support 18 of the recommendations.

The Government response prioritises the reforms that will:

- support ratepayers in financial hardship
- improve the transparency and consistency of decision making
- build greater equity and fairness in the rating system.

Coronavirus (COVID-19) Recovery

The coronavirus (COVID-19) pandemic has focused efforts on supporting Victoria's post-pandemic recovery.

The Government will not substantially change the arrangements for general rates, nor will it change rate exemptions for charities or other entities or alternative rating arrangements.

This gives certainty to all ratepayers as Victoria focuses on social and economic recovery.

Local Government Act 2020

The *Local Government Act 2020* has introduced transparency and engagement requirements for councils. It has also reaffirmed the importance of autonomy for councils, both in setting rates and making decisions for their communities.

The Government response continues to give councils the flexibility they need to raise revenue, while ensuring they work with their communities to explain their rating decisions.

Retaining Autonomy and Flexibility for Councils

The local government rating system will continue to provide flexibility and autonomy for councils to enable them to make rating decisions that reflect the needs of their community. Councils must keep working with their communities to consult on and explain their rating decisions.

Assistance for People Facing Financial Hardship

The Government will make sure ratepayers facing financial hardship are treated fairly, consistently and compassionately. It is important that ratepayers experiencing difficulties know what support is available and who to contact to seek assistance.

This includes improving the options available for councils to offer rate deferrals and payment plans.

This work will be further informed by the outcomes of the Victorian Ombudsman *Investigation into council responses to ratepayers in financial hardship*, expected to be tabled in Parliament in 2021.

Better Payment Arrangements

The Government will work with councils to reform payment and billing arrangements to improve convenience for ratepayers and efficiency for councils.

There will also be improvements to rates notices, making things easier for more than three million Victorian ratepayers.

Rate Rebates and Concessions

The review recommended expanding ways for councils to offer their own rate rebates and concessions where there is a public benefit.

The Government supports this and will provide greater flexibility for councils to offer discretionary rate reductions that align with council priorities and community needs.

Rating Exemptions

There will be no changes made to rate exemptions.

The review proposed the repeal of long-standing rate exemptions for registered charities, residences for ministers of religion, rail and passenger-transport operators, mines and Returned Service League clubs.

It recommended a new 'public-benefit use' test for future rate exemptions. The proposed criteria for the test included not-for-profit requirements, and that the land must be used for goods and services available to the public free or with only a nominal charge.

The Government believes changing rate exemptions would cause disruption and economic uncertainty for businesses, charities and not-for-profit organisations, as Victoria recovers from the coronavirus (COVID-19) pandemic.

The Government has not accepted these recommendations.

Farm Rates

The Government response retains the ability for councils to provide a lower differential rate for farming properties and set a municipal charge of up to 20 per cent of the total rates.

The Government has not accepted the recommendation to remove the Single Farming Enterprise exemption from multiple municipal charges for farms. This exemption will remain in place.

The Government will also develop a valuation averaging mechanism to reduce the impact of large year-to-year valuation movements on rates. This will improve predictability for commercial farms and help with business planning.

When will reforms be introduced?

The reforms set out in the Government response will be implemented in two stages.

In 2021 reforms to designate rates as a form of taxation and increase transparency and available support to vulnerable ratepayers will be introduced.

In 2022, reforms will be developed to deliver:

- better payment and billing arrangements to improve flexibility and convenience for ratepayers
- reduced rate volatility by introducing a valuation averaging mechanism
- improvements to how the Victorian property valuation system and council rating systems interact.

To read the full review and Government response visit engage.vic.gov.au/rating-review

Authorised by the Hon Shaun Leane MP, Minister for Local Government

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