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Dr Kathy Alexander
Chair
Ministerial Panel for the Victorian Local Government Rating System Review

Rating.review@delwp.vic.gov.au

Dear Dr Alexander

Re: Rating System Review submission

Thank you for the opportunity to provide a response to the Rating System Review. After discussion with officers and councillors, we provide the following responses in relation to questions posed on the submission web page and the Discussion Paper.

Administrative Response

Question	Response
<p>1. How regularly does your council assess occupancies for each of the non-rateable exemptions under s154 of the <i>Local Government Act 1989</i> (the Act)?</p>	<p>These occupancies have an initial assessment and then will be triggered for a review where:</p> <ul style="list-style-type: none"> • there is change of ownership • there is a change in land use • it has assessed property improvements • requested by occupant or other party.
<ul style="list-style-type: none"> • What policy criteria do you apply? 	<p>As per the Local Government Act 1989 (the Act). Also referenced in Councils Rating Policy (the Policy) for properties defined as non-rateable.</p>
<ul style="list-style-type: none"> • By property category, in your municipality, how much in rates do you estimate would be raised if these non-rateable occupancies (as defined by the Local Government act including for example Crown Land, Recreational use, Religious, etc) were rateable? 	<p>For 2019/20 as at 24 September 2019 (assumption all would have a general classification and would attract a municipal charge):</p> <p>Number of properties: 650 General: \$392,662 Municipal Charge: \$141,050 Total additional income \$533,712</p>

Question	Response
2. What rates and charges does your council declare?	<p>General Rate: 0.4074 cents in the dollar of CIV</p> <p>Rural Rate: 0.3585 cents in the dollar of CIV</p> <p>Municipal Charge: \$217.00 (applied as per S159 of the Act).</p>
<ul style="list-style-type: none"> Do you have a revenue and rating strategy to help determine rates and charges under s155 of the Act? 	<p>Yes, Rating Strategy 2017-21 v2 adopted 24 April 2019 (the Strategy).</p>
<ul style="list-style-type: none"> How do you engage your community in determining rates and charges? 	<p>During Budget advertisement. Also various other types such as press releases and mayoral columns.</p>
<ul style="list-style-type: none"> If you use a municipal charge, how do you calculate its level? 	<p>Based on historical value plus the adopted indexation rate. For 2019/20 this component was 14.7% of total rates income raised.</p>
<ul style="list-style-type: none"> What exemptions do you apply for municipal charges? How many, and what is the total value? 	<p>As at 24 September 2019, total of 2,107 exemptions applied as per S159 of the Act. Also referenced in the Strategy.</p>
3. How often have you issued rate notices to the occupier, or mortgagee in possession of, the land under s156 of the Act?	<p>Council has issued mortgagee letters to financial institutions for payment of rates. This will occur on average two to three times per year.</p>
<ul style="list-style-type: none"> What are the problems that you have experienced issuing notices under s156(3)? 	<p>Land that is leased and rateable but would otherwise be non-rateable is always contiguous to a rateable property. A supplementary valuation is completed and extra rates raised – Council do not have any problems with these notices.</p>
4. Do you issue separate notices for Special Rates and Charges, or do you combine them on a single notice?	<p>Council does not have any current Special Rates and Charges. Further information is contained in Section 7.4 of the Strategy.</p>
<ul style="list-style-type: none"> What are the challenges of providing prescribed information on rate notices? 	<p>Not applicable.</p>

Question	Response
5. How does your council determine general rates (uniform or differential)?	General rates are applied using a differential rate where variable amounts in the dollar are paid depending on a property's rating category. Council considers "that the differential rate will contribute to the equitable and efficient carrying out of its functions" (Section 161 (1) (b) of the Act).
<ul style="list-style-type: none"> What criteria does your council use in their application? 	Upon review of any valuation movements, Council review the current split and determine what is an appropriate equitable split. In 2019/20 Council defined a differential rate split of 12%, with rural having a rate in the dollar of 88% of the general rate. Council considered this as a fair allocation of rates across property types at that time. Councillors also consider capacity to pay.
<ul style="list-style-type: none"> What evidence does your council consider when determining the rates in the dollar for your differential rating categories? 	Upon a shift in valuation, using appropriate modelling tools and aiming to an approximate target rate distribution of 70:30 for Rural (70) and Urban (30) properties.
<ul style="list-style-type: none"> Does your council consider what services should be paid for with other income (e.g. municipal/service/special charges)? 	This has not been considered. Used as general revenue to support all functions of Council. Service reviews are also underway to assist with this analysis.
6. What administration issues have you experienced when creating and administering special rates and charges?	Not applicable.

Question	Response
7. Please describe the payment options your council makes available to ratepayers?	Council rate notices will be distributed prior to the first week of September each financial year. Council will provide ratepayers with the option of paying rates as a lump sum or quarterly instalment, in accordance with the Act. Payment of rate notices will fall due on the following dates: Lump sum: 15 February Quarterly instalments: First: 30 September, Second: 30 November, Third: 28 February, Final: 31 May.
<ul style="list-style-type: none"> Do you provide other payment options (in addition to offering a choice between paying in four instalments or in a lump sum)? 	Ratepayers may choose other options such as direct debit or other payment arrangements as long as the lump sum or instalment timeframes are met.
<ul style="list-style-type: none"> Do you provide any incentives for payment of rates such as early payment? What are they? 	No incentives provided.
8. Do you provide any rating rebates and concessions (in addition to State government concessions)?	No additional concessions other than the State Government Pension rebate and Fire Services Property Levy (FSPL) rebate (Not included in this report).
<ul style="list-style-type: none"> What are the criteria in your council for providing these rebates and concessions? 	Provided as per the relevant authority's criteria.
<ul style="list-style-type: none"> What is the total annual value of these rebates and concessions? 	Pension rebate 2019/20 as at 23 September 2019: \$236,984.15.
<ul style="list-style-type: none"> How do you monitor and report on the community benefits? 	No monitoring or reporting undertaken.
9. Do you have a policy for deferment of rates and charges?	Council has a Financial Hardship Policy which addresses deferment.
<ul style="list-style-type: none"> What is the current total of rates and charges that are currently deferred? 	Minimal current deferrals total value assessed at less than \$10,000.
10. Do you have policies regarding waiving rates and charges?	Council has a Financial Hardship Policy which addresses waivers.

Question	Response
<ul style="list-style-type: none"> What types of waivers do you provide to ratepayers and what is their estimated annual value? 	<p>Under Section 171A of the Act, a person suffering financial hardship may make an application to Council for a waiver of the whole or part of any rate, charge or interest.</p>
<p>11. Do you raise the amount declared under the <i>Penalty Interest Rates Act 1983</i> of 10 per cent for unpaid rates and charges?</p>	<p>Council administers interest charges on overdue rate payments. The rate of interest is determined by the Governor in Council in accordance with Section 172(2A) and 227A(3) is the rate set by Council for the purpose of Section 172(2) and 227(A)(1) of the Act. The Department of Justice advises councils of the annual interest rate to be charged on overdue rates by the end of each financial year.</p>
<ul style="list-style-type: none"> If not, what rates do you apply? 	<p>Not applicable.</p>
<p>12. What issues do you face when rating by occupancy?</p>	<p>Notification from the owner that the property has changed ownership/occupancy.</p>
<p>13. What issues have you determined when applying rates to land that is becoming, or ceasing, to be rateable?</p>	<p>Ceasing to be rateable - if the land is used for charitable purposes S154 (2) (c) – no clear criteria in place and is open to interpretation.</p> <p>Becoming rateable – leases on crown land by adjoining owners that increases the CIV by the area leased – increase in rates.</p> <p>Can be issues with DELWP not providing Council with cancelled leases.</p>
<ul style="list-style-type: none"> Annually, over the past 5 years, how many supplementary rates and charges notices have been issued? 	<p>Council issues on average 109 supplementary notices each rating year.</p>
<ul style="list-style-type: none"> For each of these years, what was the total income for these occupancies? 	<p>On average \$10,000 - \$12,000 per rating year.</p>
<p>14. Do you have a policy regarding treatment of unpaid rates and charges?</p>	<p>The Policy addresses unpaid rates and charges and the process undertaken including recovery of rates through sale of property via S181.</p>
<ul style="list-style-type: none"> If you do not, how do you treat ratepayers that live in their properties? 	<p>Ratepayers who live in their properties are closely monitored throughout the S181 process, all options must be exhausted before sale proceeds.</p>

Question	Response
<ul style="list-style-type: none"> Do you treat non-residential properties differently? 	<p>Non-residential properties will continue on the S181 process and will be sold after all reasonable options are exhausted.</p>
<ul style="list-style-type: none"> Annually, over the past 5 years, how many ratepayers have you issued complaints on for unpaid rates and charges and to what total value? 	<p>125 complaints have been issued in the last five years.</p> <p>The total figure of legal fees for those complaints is: \$119,053.</p>
<ul style="list-style-type: none"> What amount of interest do you charge on unpaid rates and charges? Do you raise the amount declared under the <i>Penalty Interest Rates Act 1983</i> of 10 per cent? 	<p>10 per cent rate charged. For 2018/19 financial year a total interest amount of \$43,166 was charged.</p>
<ul style="list-style-type: none"> Do you have any additional administration fees and charges for managing ratepayers with unpaid rates and charges? 	<p>Council pass on the applicable debt collection and relevant legal costs associated with managing the unpaid rates and charges.</p>
<ul style="list-style-type: none"> What type of collection activities do you use to recover unpaid rates and charges? 	<p>Reminder letters.</p> <p>Various debt collection processes.</p> <p>S181 property sales.</p>
<p>15. What is your council's policy regarding selling land to recover unpaid rates and charges?</p>	<p>As per Section 3.9 of the Policy:</p> <p>Council may sell a property for the recovery of rates in accordance with Section 181 of the Act. The criteria used to qualify a property for sale via rate recovery are:</p> <ul style="list-style-type: none"> any amount due in relation to the property (rates or charges, enforcement costs or interest) is more than three years overdue no current arrangement exists for the payment of the amount to Council or its debt collector Council has a Court Order requiring the payment of all or part of the amount Council has approved the sale of the property for rate recovery purposes.
<ul style="list-style-type: none"> If no policy exists, how do you apply the relevant legislation? 	<p>Not applicable.</p>

Question	Response
<ul style="list-style-type: none"> Do you apply the same approach regarding selling land where ratepayers live in their property? 	Yes, same process undertaken.
<ul style="list-style-type: none"> Annually, over the past 5 years, how many times have you undertaken this process? 	Council has held two S181 auctions in the last five years.
<ul style="list-style-type: none"> How many properties have you sold? 	11 properties have been sold via the S181 process in the last 5 years with one property being transferred to Council after it failed to reach reserve. It was later sold for the purchase price.
<ul style="list-style-type: none"> How much has this cost, per instance? 	Legal fees have been on average \$3,000 - \$4,000 per property.
<ul style="list-style-type: none"> How many times have you claimed land instead of selling land? 	One property was transferred into Councils ownership when it did not meet the auction reserve.
<ul style="list-style-type: none"> How much did this cost, per piece of land? 	In this instance the cost was \$5,123.80.
<ul style="list-style-type: none"> What issues have you encountered when selling or claiming land? 	Issues have been encountered when selling land owned by estates - issues arise trying to find and contact descendants of the estate. Some titles can be historic and legal representatives must be engaged to accept complaints and orders before S181 processes can begin. This issue adds considerably to the cost.
16. What issues have you encountered in providing information for Land Information Certificates?	No issues
<ul style="list-style-type: none"> Do you provide any updates (verbal or otherwise) to ratepayers/would-be ratepayers for these certificates? 	Updates are provided to the legal parties when rates are considered as part of the settlement. This is usually verbally over the phone.
<ul style="list-style-type: none"> Have you experienced any privacy issues in providing updates? If so, what were they? 	Council has not experienced any privacy issues.

Question	Response
17. Do you have a policy on how you apply the rates section of the <i>Cultural and Recreational Lands Act</i> ?	Information is contained within Section 7.5 of the Strategy. Under the Cultural and Recreation Lands Act 1963, provision is made for Council to grant a rating concession to any “recreational lands” which meet the test of being “rateable land” under The Act. Council has resolved that all rateable recreation land will be exempt from the payment of rates.
<ul style="list-style-type: none"> How many occupancies in your municipality are categorised as cultural and recreational lands? 	N/A
<ul style="list-style-type: none"> Annually, over the past 5 years, how much have you received in lieu of rates in relation to cultural and recreational property? 	N/A
<ul style="list-style-type: none"> How much would you receive if you were to assess these properties under your normal rates? 	N/A
18. How many occupancies make payment in lieu of rates under the <i>Electricity Industry Act 2000</i> in your council area?	N/A
<ul style="list-style-type: none"> How much revenue do you collect and approximately how much is forgone as result (compared to rating under the <i>Local Government Act 1989</i>)? 	N/A
19. Other questions	
<ul style="list-style-type: none"> How many public inquiries on rates do you receive each year? What are some common themes of those inquiries? 	3775 calls in 2018/19 to the rates department. Most common enquiries related to the municipal charge, valuation, and zoning classifications.
<ul style="list-style-type: none"> What software do you use to administer your rating system? 	Lynx Rating Manager
<ul style="list-style-type: none"> What is the estimated annual hardware/software cost to maintain rates using this system? 	Approximately \$57,000 including GST

Question	Response
<ul style="list-style-type: none"> How many staff do you employ to administer rates and charges? 	2 staff 1 Revenue Coordinator 0.4 Rates Officer
<ul style="list-style-type: none"> What is the total FTE and costs for the rating and revenue function in your council? 	1.4 EFT 2019/20 Budget for salaries and related items: \$133,000

Strategic Response

Question	Response
1. How does your council allocate differential rates? Why?	<p>Council has two differential rates, a general rate and a rural production rate.</p> <p>Loddon is a small rural council predominately made up of mainly dry farming land. Historically a lower rate has been applied to rural properties in the Shire. The basis for this decision is that, in the absence of some rate relief, the higher land component inherent in farming properties contributes to their relatively higher values and would result in farmers having to pay disproportionately high rates in relation to the income or surplus able to be generated from their properties.</p>
2. What types of properties should pay more through differential rates? Why?	<p>Holiday houses, vacant commercial properties and unoccupied blocks of land that are owned by ratepayers living outside of the municipality could be levied at a separate rate in the dollar. Their ability to pay is greater as these properties are not their principal place of residence. By owning 'investment' properties the ratepayer is showing a capacity to pay.</p> <p>If the intention is to build and move into the municipality then the general rate could apply when the address is changed.</p>

Question	Response
<p>3. What types of properties should receive rates waivers? Why?</p>	<p>Council does not normally waiver rates under any circumstances. Council has a Financial Hardship Policy in place which outlines that assistance will only be considered under the following conditions:</p> <ul style="list-style-type: none"> • for a property that is used for residential purposes and is the sole principal place of residence of the applicant • for land that is classified as farm land and is the sole or principal place of residence of the applicant • for land that is classified as commercial/industrial and is owned and operated by the applicant. <p>Council does not have the capacity in the budget to waiver any rates.</p>
<p>4. If councils provide rate discounts what criteria should apply?</p>	<p>Churches and other charitable properties should also be required to pay a component of rate charge. Therefore properties that are involved in non-profit charitable work could be looked at for a rate discount. However the property would need to be used purely for charitable purposes and benefiting only the charity involved.</p> <p>Copies of any supporting tax exemption documentation should be provided with an application.</p>

Question	Response
<p>5. Should cultural and recreational land and electricity generators have alternative rating arrangements? Why?</p>	<p>Council's recreational lands are not rated for either general rates or garbage services. All recreational land is maintained by committees consisting of volunteers and any profits made are returned to the various clubs for their use and improvement of the asset.</p> <p>However if the cultural and recreational lands were run independently for profit, Council should look at imposing a minimum rate. Council could be seen to be supporting recreation in the community by imposing a minimum rate on cultural and recreational lands as compared to rating these lands at the normal CIV x general rate.</p> <p>Electricity generators have an alternative rating system which gives the owners relief from the CIV x general rate that would normally be imposed by Council. Should the normal system be imposed on the electricity generators, this could prevent investment in sustainable energy. Council should be seen to be encouraging sustainable energy throughout the shire.</p>
<p>6. Should property values determine rates? If not, then what should?</p>	<p>Property values (in particular Capital Improvement Values (CIV)) have been used to determine rates for many years. The municipal charge has traditionally been used as a means to apportioning the rate burden across all property value classes and the opportunity to have a minimum charge.</p>
<p>7. What services should be funded by their users (in line with the user pays principle) rather than through general rates?</p>	<p>Some services provided by Council including garbage charges, home and community care and swimming pool admissions.</p>
<p>8. When should councils use special rates and charges? Why?</p>	<p>Special rates and charges could be used for:</p> <ul style="list-style-type: none"> • the installation of electricity to rural areas where Council pays the overarching cost and ratepayers contribute on a yearly basis through special rates and charges. • the provision of solar panels to ease the burden of ratepayers utility payments showing Council's contribution to sustainable energy. • kerb, channelling and footpaths for township ratepayers where it is needed.

Question	Response
9. How does your council set charges for waste and other services?	Council budgets to recoup the cost of providing all waste services, including landfills, transfer stations and waste contractor costs.
10. Does your council have a clear rating strategy?	Council's Rating Strategy 2017-21 v2 (the Strategy) clearly sets out the framework in which Council raises rates and charges each rating year.
11. Should all councils apply consistent rating practices? Why/why not?	It is not possible for all councils to apply consistent rating practices. There are many property variations and income sources between metropolitan, regional, rural and small rural. For many metropolitan councils, the rates raised is a very small portion of the overall income and when the rate cap was imposed they have other avenues to raise income. For Council, rates and charges is one third of the overall income. When the rate cap was imposed there were no other avenues to increase income, Council doesn't charge parking fees as the income generated would be limited as well as our ratepayer's capacity to pay is much lower.
12. Does the Local Government Act 1989 (and other requirements) provide clear rules and guidance to councils to set and levy rates? What could be improved?	Section 154 (2) (c) which deals with non-rateable land that is used partially or totally for charitable purposes. A clear criterion of eligibility would help to keep the interpretation of this section standard across all municipalities.
13. Does your rates notice have the information you want? If not, what would you like to see on your rates notice?	Council reviews our rates notice annually and will make a comparison with other neighbouring councils to gather further advice or ideas about making it more user friendly and informative for ratepayers.
14. How convenient is it to receive your rates notice and make payments?	Rate notices are sent via post or email, giving ratepayers the opportunity to choose the most appropriate delivery option. Payments can be made via Bpay, Australia Post, or direct contact with the office via phone, post, or in person. Direct debit arrangements can also be made with the rates department.
15. Do you engage with your council in setting rates through the annual budget consultation? If so, how easy/difficult is it to do? If not, why not?	No further consultation above the general budget advertisement and press release. The Strategy was also placed out for public comment before it was adopted.

Should you require any further information please contact Sharon Morrison on
(03) 5494 1200.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sharon Morrison', with a long horizontal flourish extending to the right.

Sharon Morrison
Director Corporate Services

18 October 2019