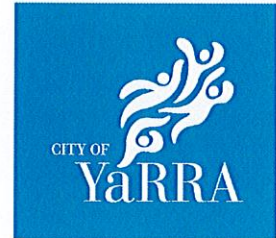


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Contact: Diarmuid McAlary 9205 5210



29 October 2019

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

By email: rating.review@delwp.vic.gov.au.

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Dear Dr Alexander *Kathy*

Victorian Local Government Rating System Review

The purpose of this letter is to provide a contribution from Yarra City Council to the Victorian Local Government Rating System Review. In providing this contribution, I have drawn on Council's existing policy position – already considered by Council in successive endorsed submissions to the ongoing review of the Local Government Act.

This submission focusses on just three matters of particular relevance to Yarra's ratepayers – matters which we are concerned may be otherwise overlooked to an apparent desire to introduce standard provisions across all Victorian Councils. They are:

- Yarra is one of few Councils using Net Annual Values to allocate rate charges.
- Yarra is home to a number of significant charitable institutions delivering services to all of Melbourne and Victoria which occupy high value properties that are subject to a rate exemption.
- Yarra has determined to fund its waste services from general rate revenue rather than through a stand-alone and regressive waste charge, meaning that the ongoing rate cap has a greater impact on our operating revenue than many other Councils.

Requirement to move to the Capital Improved Value system

A significant change in the Local Government Act changes is the extent to which local communities are involved in decision-making. Gone is the reliance solely on the four year election cycle for communities to have their say, and in its place is a requirement to have a community engagement policy that gives effect to the community engagement principles. Councils must consult with communities in the development of budgets, and must be able to demonstrate community support if applying for a special order to increase the Council's average rate cap.

Given this strong commitment to community involvement, any move to remove flexibility in distributing rate obligations is puzzling, as it reduces the ability of Councils to put in place a rate distribution that reflects community desires.

Yarra City Council currently allocates rate charges using the Net Annual Value of properties. In 2015, Council undertook a comparison of NAV and CIV which quantified the impact of moving from one system to the other. The analysis showed that without the introduction of differential rates, residential rates in the municipality would increase in the first year by an average of 8.44%, with a reduction in commercial rates of 16.79%.

While the impact of this change could be partially addressed through the introduction of differential rates, the analysis further showed that the distribution within each rating class would change in a way that could not be addressed through differential rates. In both commercial and industrial properties, the relative gap between low and high value properties would decrease (effectively transferring rate charges from high value commercial properties to small businesses in Yarra's shopping strips). In residential properties, the gap would increase (placing a greater share of the rate on those income poor, asset rich residents of Yarra's inner city suburbs).

Yarra City Council would be disappointed in any move to remove the flexibility afforded by permitting either the NAV or CIV rate allocation system to be used. We would be further concerned if there are inadequate transition provisions to enable this change to be made over a number of years – softening the blow on those property owners most affected.

Land used for charitable purposes

The 2018 Directions Paper canvassed the application of a rate exemption to land owned by a for-profit organisation but leased to a charitable organisation. This direction was not supported by Yarra City Council, and we were pleased that it did not progress to the subsequent exposure draft. That said, we did make the observation that the treatment of land used for charitable purposes would be best managed through Council's powers to apply concessions and rebates, as well as direct grants. In this way, it would be possible to better reflect the contribution these landowners are making to the wellbeing of the local community.

The reason for this is that the simple application of a rate exemption is far too blunt an instrument to adequately reflect the contribution that charitable organisations make to a local community. In Yarra, by way of example, there are two very large private hospitals – both exempt from rates and both serving a catchment well beyond the City of Yarra. Their contribution to the City of Yarra is unquestioned, but is no more remarkable than their contribution to municipalities across Melbourne and indeed, Victoria. The removal of these two high value property owners from the rate pool essentially means that ratepayers across the City of Yarra are contributing more in order to offset these losses.

Yarra City Council is of the view that rate exemptions should be narrowed in scope rather than broadened, and that Councils and local communities should have the ability to apply concessions and rebates according to local policy, rather than through application of blunt legislative definitions.

The impact of rate capping

In making this contribution, we have focussed on those matters included in the scope of the review, as set out in its Terms of Reference. In doing that however, it is important to reiterate Council's position yet again that a further structural reform of the funding of local government is needed, and the continued application of rate caps is unwarranted. We were disappointed that neither of these matters were included in the scope of this review, as it appears to be yet another missed opportunity during the current once in a generation review of the Local Government Act.

The Yarra City Council has an unambiguous policy position in opposition to the arbitrary imposition of legislated rate caps and we take this opportunity to reiterate our opposition to the government's rate capping policy.

We are aware that rate capping is not within the scope of the current review, but are disappointed that the inherent contradiction remains between a new act that purports to ensure "*Councils have the functions and powers necessary to enable Councils to perform their role.*" [s4(c) of 2018 Exposure Draft] while at the same time preventing Councils from raising the necessary funding to exercise these functions and powers.

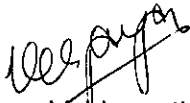
Many areas of Council expenses increase year on year at a rate greater than the level of the rate cap. A growing population increases the cost of providing services while providing no additional income. Rate capping inhibits local government's ability to deliver services to local communities and removes the ability of democratically elected Councillors to respond to community needs.

Yarra City Council, once again, reiterates our opposition to the imposition of rate caps on the sector, and we look forward to making a more meaningful contribution upon its flagged review in 2021.

Thank you for the opportunity to make this submission, and we would be happy to clarify any matters for you if required. Queries should be directed to Diarmuid McAlary, Director Corporate, Business and Finance at diarmuid.mcalary@yarracity.vic.gov.au or on 9205 5210.

We look forward to the release of the Panel's report.

Yours sincerely



Vijaya Vaidyanath
Chief Executive officer

Cc: *Diarmuid McAlary, Director Corporate, Business and Finance*