



East Gippsland Shire Council Submission to the Victorian Local Government Rating System Review – October 2019

Overview

The Victorian Government is undertaking an enquiry into the local government rating system to identify changes that will improve fairness and equity. A Panel has been formed to provide advice to the Minister for Local Government in accordance with a Terms of Reference.

Council supports this review and held discussions with the Panel in October 2019, putting forward a range of thoughts on the current provisions for rating under Victorian Government legislation and suggested options for improvements to the current rating regime.

Submission details

The following is a summary of rating matters that Council believe would either enhance and improve the Victorian Local Government rating system's fairness and equity or should be continued in accordance with current legislation:

1. Whilst acknowledging that the capital improved value (CIV) of a property does not necessarily reflect a ratepayer's ability to pay, it does provide an equitable basis for distribution of the total of the rates and charges. Valuations are relatively simple and cost effective to administer and are generally understood by ratepayers.
2. In terms of considering an ability to pay for ratepayers that may be 'asset rich and income poor' such as pensioners, then further consideration to concessions available to eligible concessional ratepayers is something that the Victorian Government should review eg: increasing the Eligible Pensioner annual rebate amount.
3. Is there a 'fairer' methodology for the distribution of rates and charges to commercial/Industrial and farming properties than the current differential rating system?
 - a. With the current legislation requiring the same valuation basis (CIV) to be used across all rateable properties, could there be an ability to apply a different valuation basis for the farm class of property which could then redistribute the rate burden more equitably for farming properties eg: could farm properties be valued on the basis of curtilage rather than CIV as the business of farming often requires significant land holdings for production purposes. The farming

community's capacity to pay fluctuates from year to year as a result of factors beyond their control as is currently being experienced with drought conditions in various parts of the state.

4. How would changes to the rating system impact on Council's ability to raise a special rate or charge?
 - a. For example there are specific provisions that Council must currently comply with to implement a Special Rate/Charge Scheme. Special rates and charges are a charge on the property and outstanding amounts are recoverable in accordance with provisions within the *Local Government Act 1989* (the Act).
5. Even though 'provisions relating to the rate cap' are out of scope, how does the imposition of a 'rate cap' potentially undermine each Council's ability to determine the level of rates and charges required to deliver service levels, particularly when Council's other sources of revenue are limited.
6. A review of the Non-rateable provisions of the Act in terms of Council's inability to rate certain properties if they are being used for an 'exempt' purpose. More specifically the fact that the Crown is exempt from the payment of any rates and charges and in the case of East Gippsland Crown land covers a significant part of the municipality.
 - a. Will the review look at what contribution the State should be making towards rates/Council operations in lieu of non payment of rates on Crown land.
7. The exemption under the Act for 'mining' from the payment of rates and charges should be reviewed to enable rates and charges to be payable on properties that undertake mining activities.
 - a. The exemption for Mining appears to be historic and there is no reason why Mining properties should not be rateable.
8. Inclusion of other charges on the rate notice eg: FSPL creates issues when ratepayers are trying to determine what are Council rates and charges versus other charges. If Council's are to be required to raise and collect revenue through the rating system for other levels of government then it should be a separate notice and Councils then should receive reimbursement for the cost of notice production.

Including everything on one notice makes it very difficult for ratepayers to assess changes in their rates and charges one year to the next.

9. Why are annual revaluations imposed on Councils when the revaluation does not change Councils total rates but rather is used as the mechanism to apportion rates. Annual revaluations create significant administrative work for Council, provides no year of consistency in the apportionment of rates and has no benefit to Council. The benefit of annual revaluations appears to be only to the State Government through the use of valuations for land tax purposes.
10. The imposition of levies on Council operations and certain revenue such as Landfill levy, animal registration levy and others does not provide any corresponding benefit back to

our ratepayers. There needs to be a way to show ratepayers the direct benefit of these State taxes that are imposed on Council operations.

11. Whatever the system of rating, it should be simple and easy for ratepayers to understand.
12. Should differential rating provisions be an option or not?
 - a. There should be clear guidance and criteria established for differential rating that provides consistency across all municipalities. Councils should have the ability to use differential rating provisions for equity and fairness as it relates to each Council and the different circumstances that each municipality encounter when addressing rate burden distribution.
13. There should be consistency in the application of the municipal charge. The various levels of application of the Municipal charge make it difficult to compare a level of rating across municipalities. The ad valorem application of the rate in the \$ to valuations becomes confusing for readers of rating information when Councils all apply the municipal charge at different levels. A minimum rate universally applied would be a fairer and more simple way to ensure all ratepayers contribute an equal amount to the administrative costs of the Council.
14. Maintaining an exemption for single farming enterprises from the municipal charge (for all but the main property) is supported as Council believes given the nature of farming enterprises that have many separate properties as part of the one farm business that the application of only one municipal/minimum charge is fair and equitable.
15. Additional clarity regarding the rating for 'home based' business activities eg: Air BNB's, other businesses operating from residential premises such as hairdressing, a sole trader operating a business.
 - a. There are many small businesses that operate from residential premises such as Air BNB's, trade type businesses eg: plumbing, electrical services etc, hairdressing, but as this is deemed not to be the primary use of the residence these properties are rated as residential properties and no part is/can be rated as commercial/industrial. Should there be guidance provided in these circumstances to better provide for equitable rating of these type of businesses when compared with Commercial/Industrial properties.
16. Clarity and guidelines should be established that clearly set out the criteria for determining financial hardship as currently each Council may have a different set of criteria that is not consistent across the local government sector;
17. The exemption for the following commercial activities should be revoked and these activities become rateable:
 - a. Solar/Wind farms and electricity generators

- b. Universities
- c. Private Schools
- d. Religious properties used for commercial purposes
- e. RSL Gaming activity/Gaming activities on Crown land
- f. Mining
- g. Crown land used for commercial purposes

The additional rate income from rating the above categories of properties could then be used to reduce the rate burden of all other ratepayers.

18. Residential village dwellings should be rateable and should include moveable or transportable dwellings. The current ability for residential villages or any other property that has a ‘moveable or transportable dwelling’ to not have that included in the CIV valuation for rating purposes is inequitable as these residents are residing in the municipality and avail themselves of all the services that Council provides.
19. The Penalty interest rate should be set at a more realistic level using prevailing bank lending rate plus an additional percentage amount.
20. The requirement to undertake revaluations each year and the valuation date for those valuations has created additional administrative work for Councils when dealing with valuation enquiries and objections. It also creates issues for Councils when preparing the annual budget and having final valuation information provided in time to allow rates to be determined prior to the advertising of the budget for public submissions. If the date of the valuation was moved back to a 1 July date and the Valuer-General Victoria could then issue valuation notices (rather than this being part of the Council process) to all ratepayers in the first quarter of a financial year and the Valuer-General should then deal directly with objections prior to issuing valuations for Councils use in the next financial year. This would remove the issue of a Council’s rate base potentially being reduced as a result of reduced valuations from the objection process which then reduces the rate base.
21. The distribution of rates methodology needs to be simple, cost effective and timely and equitable. To use other data to determine rates distribution such as income based or some other external form of data such as the SEIFA index to apportion rates and charges would be onerous to administer, not necessarily equitable and potentially remove the ability of Councils to able to apply equity and fairness principles to ratepayers.
22. To replace rates and charges with income from Victorian or Federal Government via another form of grant such as an increase in the grants commission allocation, would require other significant changes to income collected through taxation by other levels of government. This in itself would require significant change at those levels of government potentially and would not necessarily distribute the funding at the level a Council required to provide services to the community. Linking a payment to the Grants.

23. Whilst Council does not rate properties under the *Cultural and Recreational Land Act 1963*, the ability to address equity and fairness for cultural and recreation use properties could be through the use of differential rating and simplify this category of ratepayer.
24. The *Electricity Industry Act 2000* should be reviewed to consider a fairer contribution to Council rates and charges based on valuation and not on economic output.
25. Metropolitan Councils have a much greater ability to generate their own source revenue from operations other than rates and charges. The rating system should provide the flexibility for Councils to determine their rating needs and not be restricted by a one size fits all approach.

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