

Reference: 07/05/00007

31 October 2019

Dr Kathy Alexander
Panel Chair
Local Government Rating System Review
Department Environment, Land, Water and Planning
Submission via <https://engage.vic.gov.au/rating-review>

Dear Dr Alexander,

Towong Shire Council welcomes the opportunity to provide comments to the Victorian Government's Local Government Rating System Review. Council has considered the Review's Terms of Reference and Discussion Paper and believes this is an ideal opportunity for the State Government and Councils to work in partnership with a view to improving **liveability for all Victorians**.

Towong Shire has a population of 5,974, with 4,422 rateable assessments. The economy is predominantly based on agriculture and timber industries, with a growing and vibrant visitor economy. Like most rural municipalities, we experience many challenges that are becoming increasingly difficult to fund through rates and this impacts on liveability for residents. Our inability to raise enough revenue to provide the services expected of our community was confirmed by the approval by the Essential Services Commission of higher rate increases of 5.55% from 2017-2021. Support for this increase is underpinned by evidence of a highly efficient organisation that has shown real innovation in minimising costs of service delivery to the community, and this was acknowledged by external review. There are simply no further cuts that can be made without severe impact on service and programs for our communities.

Towong Shire Council reiterates its support for the underlying principle of the *Fair Go Rates System* (rate capping) introduced in 2016-2017. We do not believe that ratepayers should be subject to ongoing high rate increases to provide a basic level of service enjoyed by Victorians living in regional cities and metropolitan areas. Towong ratepayers cannot afford constant high rate increases. Council's limited and low level of income coupled with the limited financial capacity of our ratepayers means that without additional financial support from other tiers of government Council will not be able to provide an adequate level of services and infrastructure for the communities we serve. We run the risk of people migrating out of the municipality to other areas that are better placed to meet their needs.

To address the inequity across the Victorian community; improve long-term sustainability of rural and regional Councils; and, **improve the liveability of all Victorians** we are proposing that the review considers the need for significant structural change to transform the rating system. Our proposal is that the rating system and the collection of rates be centralised and administered by the State Government.

With \$5 billion to be collected over 3 million Victorian properties, there is considerable scope to realise substantial productivity gains, which can be reinvested for the benefit of the whole Victorian community. Rate income collected by the State Government would be quarantined for allocation across the Local Government sector and would be redistributed in a manner that considers equity principles for communities, their ability to pay and a minimum level of services that all Victorians deserve.

This approach would have several benefits, including:

- Elimination of duplication of effort in rate collection effort across 79 Victorian Councils. There is the potential for significant productivity gains in this proposal that only the State Government can realise.
- Use of existing 'fit for purpose' organisations for the collection of rates – State Revenue Office – and redistribution – Victorian Grants Commission.
- Using equity principles to redistribute income in a manner that values rural and regional communities and ensures a sustainable and vibrant Victoria.

There will be challenges in implementing such a model, but this is not a reason to not consider it.

There have been numerous and continuing reports into the sustainability challenges faced by Local Government in Victoria – *Whelan Report Local Government Financial Sustainability (May 2010 and May 2015)*; *VAGO: Organisational Sustainability of Small Councils (June 2013)*; *Inquiry into Sustainability and Operational Challenges of Victoria's Rural and Regional Councils*. Similarly, there has been a wide range of reviews in other State's all making similar findings. All of these reviews and reports indicate that:

Most Rural Councils will require financial support through recurrent government grants to effectively perform the functions required of them.

Most compelling, the KPMG report commissioned by the State in 2017; *Rural and Regional Councils Sustainability Reform Program (December 2017)* made several recommendations, including 'a taxation and funding model inquiry to support rural and regional council sustainability'.

A proposal such as this is not without precedent in Australia. 'Horizontal Fiscal Equalisation' is the principle by which the Federal Government balances income generated from the Goods and Services Tax across the States and Territories in the Federation of Australia. It is unique across the OECD and looked to as a model to aspire to. The practice seeks to give all States the same fiscal capacity to deliver a **reasonable standard** of public services and has broad support across State Governments. The Productivity Commission July 2018 review serves as a template to consider and address similar issues that may arise with implementing the same model for Victorian Councils.

The capacity of Towong ratepayers (and other rural ratepayers across the State) to contribute to funding their Council is at capacity. If the State Government wishes to avoid increased grant contributions to Councils to meet primary service delivery, then we encourage consideration of revisiting the principles around the *Fair Go Rating System* policy; updating them to become the **Fair and Reasonable Rating System**, centralising the collection of rates into the State Revenue Office and redistributing rate income using principles to be developed by the Victorian Grants Commission.

Thank you for the opportunity to make this submission. Council's response to the broad questions asked in the Discussion Paper is attached. They are answered on the premise of a partnership approach between State and Local Government and undertaking transformational reform, moving the

Fair Go Rating System into the **Fair and Reasonable Rating System**. We believe that this approach is the way forward to ensure a modern rating system that secures the future of the whole Local Government Sector in a way that is sustainable, efficient, equitable and transparent. We believe this will improve **liveability for all Victorians**.

We would welcome the opportunity to present to the Rating System Review Panel.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D. J. Wortmann', with a long horizontal flourish extending to the right.

David Wortmann
Mayor

A handwritten signature in blue ink, appearing to read 'Juliana Phelps', with a large, stylized initial 'J' and a circular flourish at the end.

Juliana Phelps
Chief Executive Officer