



CITY OF GREATER
BENDIGO

23 October 2019

Local Government Rating System Review
Department of Environment, Land, Water and Planning
Level 35
2 Lonsdale St
Melbourne VIC 3000
E rating.review@delwp.vic.gov.au

Dear Dr Alexander

Re: City of Greater Bendigo submission to Local Government Rating Review

The City of Greater Bendigo (COGB) welcomes the review and the opportunity to provide input to improve the fairness and equity of the Victorian Local Government rating system.

Last year the Municipal Association of Victoria adopted a resolution sponsored by Greater Bendigo City Council urging the Victorian Government to develop a plan to maintain the liveability and economic strength of regional and rural Victoria, including a review of the rating system, along with other key recommendations from the inquiry.

The City looks forward to the panel's findings and the Government's response.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'M O'Rourke'.

Cr Margaret O'Rourke
MAYOR
CITY OF GREATER BENDIGO

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Local overnment Rating Review, Bendigo Submission October 2019

Origins of the Review

Inquiry in to the Sustainability and Operational Challenges of Victoria’s Rural and Regional Councils

“In response to the Parliament of Victoria’s Inquiry in to the Sustainability and Operational Challenges of Victoria’s Rural and Regional Councils the Government has commenced an inquiry into the local government rating system to identify changes that will improve its fairness and equity.”

The City of Greater Bendigo (COGB), welcomes the review and looks forward to the panel’s findings and the Government’s response to improving the fairness and equity of the Victorian Local Government rating system.

Last year the Municipal Association of Victoria adopted a resolution sponsored by Greater Bendigo City Council urging the Victorian Government to develop a plan to maintain the liveability and economic strength of regional and rural Victoria and that the plan should incorporate a review of the rating system along with other key recommendations from the inquiry specifically:

- Seeking changes to the Commonwealth Financial Assistance Grant Pool to ensure a larger proportion can be distributed based on Council’s needs (Rec. 5)
- A new Victorian Grants program designed to assist small rural Councils to deliver core services (Rec. 6)
- New Victorian Government grants to assist Councils wishing to investigate and establish shared service and resource arrangements (Rec. 9)
- Expanded efforts to grow the population and economy of rural Victoria (Rec. 10)
- Greater flexibility when establishing grant programs requiring co-contributions. (Rec 14)

Council local and regional flexibility

There are a number of issues which are particular to rural and regional councils which were covered in the parliamentary report.

COGB believes it is important overall for Councils, particularly regional and rural, to maintain the flexibility to apply differential rates to various classes of rate types (including but not limited to Farm rates).

COGB’s Farming Advisory Committee was consulted as part of the City’s process to provide this submission. The committee is supportive of local government retaining this flexibility.

This enables Council’s to address the equity principles of:

- a) Capacity to Pay– based on ratepayer’s economic means
- b) Benefit principle – where the distribution of benefit is not uniform, those who benefit should contribute more.

Role of Local Government

There is some confusion in the community around the role of Local Government – and often disparity between what Local Governments are expected and able to provide. There is a distinct divide between the sustainability of service provision in rural and regional Councils when compared with the services delivered by metropolitan Councils.

Clear expectations from State Government of the core services provided by Local Government would assist in the community's understanding of the services Local Government is expected to deliver and therefore fund. This feedback was supported by the City's Farming Advisory Committee and Rural Communities Committees as part of consultation undertaken.

Chapter Five Panel Questions

(In order of rating review consultation document)

What types of properties should receive rating exemptions?

As a principle, rating exemptions should be kept to a minimum – the more exemptions the greater potential to distort the system and undermine its consistency, fairness and equity.

In general, the COGB support an exemption for land that is open to, and used for, the benefit of all community members at no charge and which is not assigned to one particular person or group.

Current exemptions that are supported are for:

- Land used for public or municipal purposes
- Land held in trust and used exclusively by organisations of ex-servicemen and women
- Unoccupied Crown Land and land vested in a Minister, Council, statutory body etc.

COGB would support review of the current exemptions on:

- Land used for mining along with some forms of minerals development and exploration (often the precursor to mining), including where it takes place on Crown Land
- Land used as a residence of a practising Minister of religion and or for the education and training of Ministers of religion.
- Land used by the RSL or other exempt bodies where the body derives an income from gaming at the property such as poker machines or bingo centres.
- Land used by Private Schools and Universities.

COGB is supportive of exemptions for land used for charitable purposes, however there is a need to be clearer and more consistent around what does and what doesn't constitute an approved charitable use.

An example here would be Bendigo Primary Care which is run as a commercial enterprise but has charitable status with the ATO and therefore is non-rateable.

Why would this be fair?

Many of the premises occupied by these organisations are leased on a commercial basis. The property owner profits from the commercial tenancy and then is exempt from paying rates.

In addition to the example provided above, private schools and Universities benefit directly from the infrastructure and services provided by Councils. A contribution to these costs in the form of rates would be equitable.

How does your council allocate differential rates?

Greater Bendigo has three Commercial rates based on geographical location, a General Rate, a Farm rate, and a Residential Vacant Land. The current differentials as percentage of the General rate are:

- Farm Rate - 85%
- Commercial/Industrial A – 185%
- Commercial/Industrial B – 180%
- Commercial/Industrial C – 190%
- Vacant Land (residential & rural residential) - 125%

Why?

Greater Bendigo has differential rates that are based on capacity to pay, use of the land, benefits derived for the community (so businesses pay more), and, in part, for restricted access to services e.g. farms.

What types of properties should pay more through differential rates?

Commercial and Industrial properties should pay more as they have the ability to generate an income from their property.

Residential Vacant land has a higher differential for the City of Greater Bendigo to encourage development of the land.

There should be the ability to utilise a higher differential rate for Commercial premises (in Bendigo's context, the CBD) that are vacant for a period of greater than 12 months. The rationale is to encourage property owners to have their properties tenanted, improving the community engagement with the CBD. This is distinct from derelict properties. Currently the guidelines do not allow for this to occur.

Airbnb's and similar services are a challenge for council's to track and administer a differential rate. A mechanism that can assist with this that may involve other areas of government would be required. The City is keen to explore data matching with other areas of State Government which would enable better targeting – where possible – to ensure the correct 'use' of property.

Why?

To acknowledge that some properties gain more in a commercial sense from the community. For example business and retail properties that derive income from their property have a higher capacity to pay and should then contribute more in rates.

On the other hand we acknowledge that rural commercial properties have a lower differential commercial rate than CBD properties as their benefit from the community is less mainly due to location.

What types of properties should receive rates waivers?

None, rates are a charge on the property and will be collected in most cases.

Why?

Rates are a property tax so the debt is attached to the property. Once a property is sold the debt will be recovered. A debt can be deferred in cases of financial hardship without being waived.

If councils provide rate discounts what criteria should apply?

It is the view of COGB that there are not many instances where a discount should apply.

While rates can be a significant cost to certain entities or groups, there are many other costs associated with land use or commercial entities.

Should cultural and recreational land and electricity generators have alternative rating arrangements?

COGB supports Councils having the option to apply a rating differential to cultural and recreational land provided it is being used for the benefit of the community. This could be done within the Local Government Act negating the requirement for the CRLA at all. The challenge is, like with land used for charitable purposes, to define and measure what constitutes a beneficial use.

Statistics on cultural and recreational lands?

- 57 occupancies categorised as cultural and recreational lands
- Money received in lieu of rates \$149,944 in 18/19, and zero in the dollar rate for 19/20
- The estimated income if properties assessed under general rate for 2019-20 is \$244,015.

Why?

How do you quantify the level of community benefit gained from one individual property over another? Some suggested criteria could include:

- Provision of health and wellbeing, sporting and recreational activities, for instance community sport facilities
- Economic by attracting visitors to the area, for instance a museum that generates tourism

- Community development, for instance a facility that supports the provision of charity function.

In terms of land used for electricity generation, COGB supports Councils having the power to apply rates against land used for electricity generation.

Should property values determine rates? If not, then what should?

There are issues with land values being used as an indicator for an owner's wealth and capacity to pay. This, in part, remains the case. The nexus between this indicator of wealth has become less related to services provided – as historically services were more directly related to a particular land area.

There are obvious challenges with this method in farming areas where the value of the land does not always translate into income being generated, particularly in periods of prolonged drought or poor commodity prices.

There may be an opportunity to look at the *application* of these valuations of valuations averaged over multiple years.

This could reduce the impact of inflated land prices attributed to nearby land purchases that have been made for 'strategic' reasons.

However overall on balance, and in the absence of any alternative system, property values remain the best available method for local government to utilise for the purpose of determining rates.

What services should be funded by their users (in line with the user pays principle) rather than through general rates?

In general services which have a variable cost component and can support the principles of user-pays should be considered for user pay principle.

However it is extremely important that there is flexibility for Councils to set policy to ensure the right outcomes are achieved. For example, Greater Bendigo sets fees across the following categories:

- a) Full cost pricing which is applied where the objective is to achieve financial return for Council.
- b) Accessible Pricing which is a discount on the full cost of providing the service. The discounted rate is determined based on the community benefit or social good, and can be set somewhere between 100% discount (i.e. without cost) and full cost recovery.
- c) Incentive Pricing is utilised where certain behaviours are encouraged by pricing above full cost recovery.
- d) Full cost plus margin pricing (or market pricing) is applied to services considered discretionary and without strong social benefit.

Other fee examples include waste collection (on the rates notice).

There are a large number of other fees which Council should retain flexibility including: provision of parking, animal registration, rescue and shelter operations, statutory planning including owner/developer initiated planning scheme amendments, aged care and children's services, pool entrance fees.

When should councils use special rates and charges?

In theory this is when a benefit is derived for a restricted number of people

Why?

This should be approached with caution. While the flexibility for certain Councils is important, it can be difficult to ensure equity. For example – how is the benefit of a footpath valued and then distributed among those who use it?

The theory is that by having kerb and channel in front of your property you get the benefit, but these attributes would be reflected in market value of the property.

How does your council set charges for waste and other services?

See above for details of COGB's Pricing Policy 'categories'.

Cost recovery for the operation of waste services including landfill, street sweeping, and public litter bins, but includes a clear intent to ensure that fees will only be utilised for costs related to waste.

Does your council have a clear rating strategy?

COGB publishes a detailed annual rating strategy as part of the public consultation process on the budget. This normally occurs in April each year.

The last comprehensive rating strategy review (including assessing differentials) was in 2011, and a review is planned for 2020/2021.

Should all councils apply consistent rating practices? Why/why not?

Where consistency is possible it would be easier for ratepayers to understand, especially those that own properties in different municipalities where the methodology for setting differential rates can be quite different.

On the other hand there may be differences between what is equitable between city councils and rural councils. Examples of this include the farm rate, rates on derelict land, or the City of Melbourne utilising Net Annual Value (NAV) rather than CIV to reflect rental returns.

COGB believes it is important overall for Council's, particularly regional and rural, to maintain the flexibility to apply differential rates to various classes of rate types, including but not limited to Farm rates).

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?

It would be beneficial to receive increased clarity around non-rateable properties, and better definitions of other arrangements, including charitable use, public purpose and community benefit.

Ministerial Guidelines provide some guidance but a clear direction on retirement villages across all councils would be useful.

- Some Councils have a differential rate for retirement villages, while other councils have determined that they receive the same level of benefit from services than any other residential property, and are charged the same General rate.
- Also an anomaly around those retirement villages with 'removable dwellings' where there is no intention of the dwelling being removed. These are rateable but valued the same as caravan parks, as one assessment.

Submission (administrative questions) Local Government Rating Systems Review Response to Panel questions

Note that the broader consultation questions, which are less administrative and more policy related are addressed in another part of the City's submission.

1. How regularly does your council assess occupancies for each of the non-rateable exemptions under s154 of the Local Government Act 1989 (the Act)?

We receive around 30 requests a year for non-rateable status under Sec 154.

What policy criteria do you apply?

- We look at the use of the land
- Whether the ATO recognises their charitable or non-profit status
- Are there fees charged for people using the land
- Is there a public purpose
- Is the use exclusive
- Remaining criteria as per the Act.

By property category, in your municipality, how much in rates do you estimate would be raised if these non-rateable occupancies were rateable?

- Over all non-rateable assessments - estimate of rates that would be raised is \$11.57M

2. What rates and charges does your council declare?

Do you have a revenue and rating strategy to help determine rates and charges under s155 of the Act?

- Yes we have a rating strategy that is part of our annual budget document (see attached).

How do you engage your community in determining rates and charges?

- The community are invited to make submissions to the information contained in the draft budget and as part of the overall public budget consultation and communication process.
- There is engagement with specific stakeholder groups through individual strategy and committee consultations, including (for example) the Greater Bendigo Farming Advisory Committee.

If you use a municipal charge, how do you calculate its level?

- Not applicable to City of Greater Bendigo

What exemptions do you apply for municipal charges? How many, and what is the total value?

- Not applicable to City of Greater Bendigo

3. How often have you issued rate notices to the occupier, or mortgagee in possession of, the land under s156 of the Act?

- We will issue notices to the occupier of a property only when instructed to do so by the property owner. A mortgagee in possession will generally not pay the rates until a property is proposed to be sold.

What are the problems that you have experienced issuing notices under s156(3)?

- There is an issue with State Owned Land in that if the occupier leasing the land does not or will not pay the rates and the State, as the property owner, will not be ultimately liable. There is very little recourse for Councils in this instance to pursue the unpaid rates.

4. *Do you issue separate notices for Special Rates and Charges, or do you combine them on a single notice?*

- Separate notices are issued

What are the challenges of providing prescribed information on rate notices?

- The challenge is to provide a notice that is easy for ratepayers to understand, while satisfying the legislative requirements regarding content. There is generally limited space.

5. *How does your council determine general rates (uniform or differential)?*

- Differential

What criteria does your council use in their application?

- Capacity to pay
- Incentive to develop vacant land
- Geographical area
- Access to services

What evidence does your council consider when determining the rates in the dollar for your differential rating categories? –

- The shift in the rate burden between categories as well as the effect any change to one differential will have on the others.

Does your council consider what services should be paid for with other income (e.g. municipal/service/special charges)?

- One Special Charge Scheme in place
- Waste charges are a separate charge on the rate notice and reflect the cost of waste services across the City.

6. *What administration issues have you experienced when creating and administering special rates and charges?*

- No specific administrative issues.

7. **Please describe the payment options your council**

makes available to ratepayers?

- a) Pay in full by 15 February
- b) Pay in full with early payment discount by 30 September
- c) Pay by 4 instalments

Do you provide other payment options (in addition to offering a choice between paying in four instalments or in a lump sum)?

- As above as well as monthly and fortnightly Direct Debit

Do you provide any incentives for payment of rates such as early payment? What are they?

- 1.5% discount for early payment in full by 30 September

8. **Do you provide any rating rebates and concessions (in addition to State government concessions)?**

- Yes, Bushcare rebates and Bendigo Airport Aircraft Hangar rebates

What are the criteria in your council for providing these rebates and concessions?

- Bushcare rebates are provided to ratepayers who have a Trust for Nature covenant on their title. The rebate is only applied to the area subject to the covenant and is calculated using the Site Value.
- Hangar rebates are provided to ratepayers who lease a hangar at the Bendigo Airport that is for recreational rather than business use. The rebate is 50% of the commercial differential rate.

What is the total annual value of these rebates and concessions?

- Approximately \$50,000.00

How do you monitor and report on the community benefits?

- Confirm with Trust for Nature that the covenant still exists on the property and that the property owner is still eligible.
- Applications for the Hangar rebate must be made annually.

9. **Do you have a policy for deferment of rates and charges?**

- Deferment of Rates and Charges is determined within our Revenue and Debt Collection Policy and Financial Hardship Guidelines.
- Ratepayer must be in financial hardship and rates must relate to their principle place of residence
- Essentially an arrangement must be entered into which seeks to progress the payments.

What is the current total of rates and charges that are currently deferred?

- None

10. **Do you have policies regarding waiving rates and charges?**

- Waiving of Rates and Charges is determined within our Revenue and Debt Collection Policy and Financial Hardship Guidelines

What types of waivers do you provide to ratepayers and what is their estimated annual value?

- As Rates are a charge on the property they are generally not waived, value = \$0



11. Do you raise the amount declared under the Penalty Interest Rates Act 1983 of 10 per cent for unpaid rates and charges?

- Yes

12. What issues do you face when rating by occupancy?

- a) It can be unclear when a property is mixed use as to how it should be treated from a rating perspective.
- b) It can be hard to determine whether the use is exclusive in some cases
- c) The number of occupancies changing in large shopping centres can be difficult to track and it is hard to get the information from the property managers.

13. What issues have you determined when applying rates to land that is becoming, or ceasing, to be rateable?

- Where the occupant of a property changes and affects its rateability, there is not always clear information that informs us of the change. We tend to be notified of when it should be non-rateable, but less likely to be informed when property is to be made rateable again.
- At what date should the charging of rates be effective. Sometimes this conflicts with the requirements of the Valuation of Land Act. This is currently being reviewed by the Valuer-General.
- Apportioning of rates still outstanding or paid when a property is subdivided is very difficult for customers to understand. There is not always consistency with the way these are treated from a settlement point of view and council often bear the brunt of the dissatisfaction.

Annually, over the past 5 years, how many supplementary rates and charges notices have been issued?

- 14/15 2405
- 15/16 1701
- 16/17 1966
- 17/18 1608
- 18/19 1910

For each of these years, what was the total income for these occupancies?

- 14/15 \$752,000
- 15/16 \$761,000
- 16/17 \$602,000
- 17/18 \$724,000
- 18/19 \$886,000

14. Do you have a policy regarding treatment of unpaid rates and charges?

Yes - contained within the City's Revenue and Debt Collection Policy and Financial Hardship Guidelines.

If you do not, how do you treat ratepayers that live in their properties?

- All property owners are treated the same in the stages of debt collection. Ratepayers living in their properties would not have Sec 181 Sale for unpaid rates action taken until there are 5 years rates and charges outstanding.

Do you treat non-residential properties differently?

- Non-residential properties and non-owner occupied properties could be subject to action under Sec 181 when 3 years rates and charges are outstanding.



Annually, over the past 5 years, how many ratepayers have you issued complaints on for unpaid rates and charges and to what total value?

- 2015 246 \$499K
- 2016 149 \$315K
- 2017 161 \$460k
- 2018 106 \$270K
- 2019 105 \$262K

What amount of interest do you charge on unpaid rates and charges?

- In 2018/19 - \$225K

Do you raise the amount declared under the Penalty Interest Rates Act 1983 of 10 per cent?

- Yes

Do you have any additional administration fees and charges for managing ratepayers with unpaid rates and charges?

- No

What type of collection activities do you use to recover unpaid rates and charges?

- Final Notice sent from Council
- Final Notice from Debt collection agency
- 3 attempts to contact including email, SMS and phone call
- Solicitors letter
- Complaint issued
- Rent Order
- Judgement Order
- Summons of Oral Examination
- Attachment of Earnings
- Section 181 of the Act.

15. What is your council's policy regarding selling land to recover unpaid rates and charges?

a) Part of Revenue and Debt Collection Policy and in line with the Act.

If no policy exists, how do you apply the relevant legislation?

- Where more than 3 years rates and charges are overdue we comply with Sec 181 of the LGA.

Do you apply the same approach regarding selling land where ratepayers live in their property?

- If the property is the principal place of residence we will not commence action until 5 years rates and charges are overdue.

Annually, over the past 5 years, how many times have you undertaken this process?

- Commenced action on:
 - 2015 8
 - 2016 13
 - 2017 13
 - 2018 9
 - 2019 9



How many properties have you sold?

- 2015 1
- 2016 2
- 2017 1
- 2018 0
- 2019 0

How much has this cost, per instance?

- Average \$8,000.00

How many times have you claimed land instead of selling land?

- Once

How much did this cost, per piece of land?

- Approx. \$15,000

What issues have you encountered when selling or claiming land?

- No power to remove a person from the property
- Difficult to deal with deceased estates
- Deregistered companies are problematic as the property may be in the hands of ASIC who do not deal with maintenance and rates. Only avenue really open to council is to transfer the land to ourselves.

16. *What issues have you encountered in providing information for Land Information Certificates? - None*

Do you provide any updates (verbal or otherwise) to ratepayers/would-be ratepayers for these certificates?

- No, updates are only provided to the solicitors that have applied for the Land Information Certificate.

Have you experienced any privacy issues in providing updates? If so, what were they?

- Nothing specific.

17. *Do you have a policy on how you apply the rates section of the Cultural and Recreational Lands Act?*

- We apply the rates section in line with the Cultural and Recreational Lands Act. We don't have a separate policy.

How many occupancies in your municipality are categorised as cultural and recreational lands?

- 57 occupancies
- Annually, over the past 5 years, how much have you received in lieu of rates in relation to cultural and recreational property? - \$149,944 – for 18/19 & 19/20 declared a zero rate in the dollar.
- How much would you receive if you were to assess these properties under your normal rates?
- \$244,015 based on the General Rate for the 19/20 year.

18. How many occupancies make payment in lieu of rates under the Electricity Industry Act 2000 in your council area?

- None

How much revenue do you collect and approximately how much is forgone as result (compared to rating under the Local Government Act 1989)?

- Not applicable

19. Other questions

How many public inquiries on rates do you receive each year?

- 17,030

What are some common themes of those inquiries?

- What is Capital Improved Value?
- What is Net Annual Value used for?
- Why have my rates increased
- What do I get for my rates?
- Updates to details
- Can I get a Concession on my rates
- Changes to bin units/charges
- My Valuation is too high
- Ratepayers confirming balances when part payment are made

What software do you use to administer your rating system?

- Pathway

What is the estimated annual hardware/software cost to maintain rates using this system?

- \$314,270

How many staff do you employ to administer rates and charges?

- What is the total FTE and costs for the rating and revenue function in your council?
- 8.3 FTE - \$760,000 – Total Productive Wage, noting this includes general (other) debtors and associated work.