

1 November 2019

Enquiries: Narelle KLEIN
Reference: D19.92693

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

Dear Rating System Review Panel,

Re: Submission to the Victorian Local Government Rating System Review

Wodonga Council wishes to make the following submission into the Victorian Local Government Rating System Review. The Consultation questions for local councils included on the rating system review website have been completed for Wodonga Council and are attached as Appendix 1 to this submission.

We would also like to take the opportunity to raise several issues that we believe should be taken into account in the rating system review:

- There is no perfect model for a rating system – there will always be winners and losers
- If all rates were the same, those people in the community least able to afford to pay will be disadvantaged
- A large proportion of our community services are consumed by those least able to afford to pay for them
- The whole community benefits from services provided to assist our vulnerable community members to engage and participate in the community
- The revenue and rating principles (Wealth tax principle, Equity (horizontal and vertical), Efficiency, Simplicity, Benefit principle, Capacity to pay and Diversity) provide good guidance for Councils to provide a fair and balanced outcome when developing a rating strategy
- Rate exemptions are outdated and need to be reviewed. It is not equitable for a mining company to be exempt from rates when a primary producer is not. The mining company rate exemption is subsidised by residential and business ratepayers
- The timing of the valuations received from the Valuer General is problematic for Councils preparing the draft budget the valuations relate to. The valuations need to be completed earlier (e.g. 28 February) to allow time for Councils to incorporate the valuations into



their rate modelling used in the draft budget and potential rate cap variation submission due by 31 March each year

- Regional and rural councils are disadvantaged by the current system, both have limited ability to raise revenues from alternate sources and have proportionally higher costs:
 - Regional Councils need to provide infrastructure that is used by the broader region that may reside outside the municipality and therefore do not contribute to its construction
 - Regional Councils are expected to provide multiple community facilities, such as one or more each of a library, community centre, performing arts centre, art gallery, aquatics facility, multiple sporting facilities. In comparison, metropolitan councils may only need to provide a performing arts centre and the neighbouring council will provide the art gallery and so on, creating economies of scale not available to more remote councils/communities
 - Rural Councils have populations with lower income earning capacity, meaning that a substantially higher proportion of their communities' personal income is taken up by rates than in the larger metropolitan and interface Councils
 - Rural Councils have substantial road networks to maintain. The per head of population per kilometre of road is a stand out ratio that highlights the difficulty faced by Rural Councils in maintaining and renewing this critical infrastructure
 - Rural Councils cannot provide the same level of services as their larger counterparts, however their rates are often the same or higher than the larger councils that provide more / higher levels of service/s

The current pressure on Council budgets is the culmination of Federal Government policy to reduce the level of the Financial Assistance Grant as a proportion of overall taxation revenue, over a number of years. This has resulted in Councils needing to look to other revenue to make up the shortfall in their budgets, which in recent years has often been through increases in rates. Rural and regional councils in particular have few other revenue raising opportunities available to them.

The higher rates have impacted on the communities, which resulted in the State Government introducing rate capping. This will have a substantial impact on the ongoing financial sustainability of rural and regional councils. Making financially challenged councils apply for a rate cap variation to balance their budget is not sustainable as it only shifts the burden to the community members who have the least ability to pay. It is imperative that Federal Government Financial Assistance Grant funding is reinstated to its original proportion of overall taxation revenue, to ensure the ongoing financial sustainability of rural and regional councils in particular.

Ultimately, it will not matter what rating system is in place, as without the right level of federal funding, rural and regional councils are facing a financially unstable future.



We would also like to take the opportunity to thank the panel members for conducting consultation in Wodonga on September 17, 2019, which enabled senior staff and Councillors to attend and participate in the consultation.

If you have any questions regarding our submission, please do not hesitate to contact our Director Finance and Systems, Narelle Klein on 0428 860 406.

Kind Regards,



Narelle Klein
Director Finance and Systems



Appendix 1 - Consultation questions – local councils

Wodonga City Council responses to the consultation questions for local councils are set out in italics as follows:

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)*?

- What policy criteria do you apply?

Properties are regularly reviewed throughout the year against all of the exemptions provided for under Section 154(2). Due to the broad nature of Section 154(2)(c), Wodonga City Council has adopted a Charitable Purposes policy for consistency in the granting of rate relief under Section 154(2)(c) of the Local Government Act 1989.

All applications received for exemption of general rates under Section 154(2) are assessed on the facts of each case against the requirements included in the Act, with those applications under Section 154(2)(c) being required to provide the following information to support/evidence their application:-

- *A copy of their constitution*
 - *What, if any taxes do they pay and what, if any taxes are they exempt from*
 - *What services they provide*
 - *Where do they obtain their revenue from to provide their services*
 - *Who are their clients*
 - *Copies of their financial statements for the past two financial years*
 - *Confirmation that no dividend is paid to any member.*
- By property category, in your municipality, how much in rates do you estimate would be raised if these non-rateable occupancies were rateable?

Rates foregone for properties exempt under section 154(2)(c) in the 2019-2020 financial year amounted to approximately \$0.25 million. There are also a number of exempt State and Federal Government properties, including a substantial Defence footprint in the Wodonga municipality, for which we have been unable to calculate the rates foregone.

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?

City of Wodonga has a Rating Strategy to help determine rates and charges under Section 155 of the Act. Council reviews its rating strategy every four years. The most recent is Wodonga Rating Strategy 2019 and commenced from 1 July 2019.

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

The revised Rating Strategy was developed in consultation with 7 representatives of the local community who participated in the Rating Strategy Reference Group with councillors. In addition, members of Wodonga's community were encouraged to have their say on the draft Rating Strategy and the draft budget documents. Each year the draft



budget is made available to the community for review online with hard copies available for review at the council offices, community centres and Wodonga Library.

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

Currently Wodonga City Council does not have a municipal charge. This was considered as part of the Rating Strategy by the Rating Strategy Reference Group and their recommendation to not have a Municipal Charge was accepted by Council.

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

Not applicable

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

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

In the last five years Wodonga City Council has not issued rate notices to the occupier, or mortgagee in possession of, the land under s156 of the Act.

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

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

Currently Wodonga City Council does not have a special rate and charge. There is no room on the current rate and valuation notice to accommodate any special rates and charges.

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

- What criteria does your council use in their application?
Wodonga City Council determines general rates using differential rating.

*The current rating system in Wodonga is characterized by the following:
A general rate based on Capital Improved Value*

The application of five differential rates applying to 10 different categories, these being vacant land, land improved for residential, commercial or industrial use, rural farming land, rural non farming land, development use land, and social clubs or societies.

The differential rating categories are defined based on the following criteria:

Residential Occupied Land

Land that is residential, meaning rateable land upon which is erected a private dwelling flat or unit which is used primarily for residential purposes as defined under the provisions of the Wodonga Planning Scheme.



Commercial Occupied Land

Land that is commercial, meaning rateable land which is used primarily for business or commercial purposes, and upon which are erected structures which are used in conjunction with, or for purposes ancillary to, business or commercial purposes for which the premises are being used; business and commercial use including but not being limited to the operations included in the definition of commercial under the provisions of the Wodonga Planning Scheme.

Industrial Occupied Land

Land that is industrial, meaning rateable land upon which is erected a factory or workshop which is primarily used for industrial purposes and includes any land which is used in conjunction with or for purposes for which the factory or workshop is being used; industrial use including but not being limited to the operations included in the definition of industry under the provisions of the Wodonga Planning Scheme.

Rural – Farming Land

Any land that is "farm land" within the meaning of Section 2(1) of the Valuation of Land Act 1960 paragraphs (a) and (b) and other criteria as defined by the council (c) hereunder.

- (a) Not less than 2 hectares in area; and,*
- (b) That is used primarily for grazing, dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of those activities; and,*
- (c) Being a Primary Producer as evidenced by a current ATO assessment.*

Rural – Non Farming Land

Any land, which is:

- Greater than eight hectares in size; or,*
- Less than eight hectares in size and due to reasons of inappropriate subdivision is generally vacant, low valued land that has little utility to owners because the land is restricted to no development in its current form; and,*
- not Rural – Farming land, nor Development Use Land.*

Vacant Land

Land on which there does not exist any building obviously adapted for human habitation and which does not have the characteristics of Development Use Land.

Development Use Land

The valuer responsible for the returning of the general revaluation or any supplementary valuation may classify any land (or a portion of that land) that is in the process of being developed into the category of Development Use Land.

Classification to Development Use Land will be at the valuer's discretion and based principally on the basis of applications and/or approvals for rezoning and/or development.

Society/Social Club Land

Any land, which is not subject to the Cultural and Recreational Lands Act 1963, and used primarily for the activities of a club or society carried on for the benefit of its members and their guests.



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

The Rating Strategy Reference Group reviewed the differences in the rate in the dollar for each rating category, using modelling of the current rate base.

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

Yes, a Waste Management Reserve Policy has been adopted by Council to ensure that all waste related charges collected will only be applied to waste related purposes.

In addition, all fees and charges are reviewed every year on the basis that all services should be provided on a user pays basis wherever possible, with any cross subsidisation from rates required to ensure fees and charges remain affordable being disclosed in Council's budget documents.

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

Not Applicable – Council does not have any special rates and charges.

7. Please describe the payment options your council makes available to ratepayers?

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

Currently Wodonga City Council declares that rates and charges must be paid by four instalments. In addition to this Council offers a 9 monthly instalment option if the ratepayer signs up to direct debit.

Under the current legislation Councils "must" offer payment of rates and charges by four instalments and "may" offer a lump sum option, (Section 167). A suggestion would be to have lump sum removed for all properties or retain as a "may" or opt in prior to or due on the 1st instalment date. A lump sum makes the debt unmanageable if overdue in high rating councils. The Victorian Government's own Essential Services Commission's review of consumer debt and hardship management in the Electricity Retail Industry, recommended smaller, and more frequent billing cycles, and follow up when amounts overdue are small and manageable. This recommendation has been adopted by Council and has seen a significant improvement in helping ratepayers in arrears.

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

Currently Wodonga City Council does not provide any incentives for early payment of rates.

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

Yes

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



A recommendation of the 2019 rating strategy review was for council to introduce a one-off rate rebate for properties that have been 8-star energy rated (or higher) under the Nationwide House Energy Rating Scheme (NatHERS). This initiative aligns with the council's recently drafted Environmentally Sustainable Design strategy and aims to encourage positive environmental practices in the community. The rebate will apply to a new build or a complete renovation, which would bring the entire property up to a minimum 8-star NatHERS energy rating.

The rebate will be 100 per cent of the annualized (12 months equivalent) rates, calculated from the date of issue for the certificate of occupancy on the property and applied as a credit against the supplementary rates notice and annual rates notice (if required).

Currently City of Wodonga does not have a property in this category.

- What is the total annual value of these rebates and concessions?
Currently Nil
- How do you monitor and report on the community benefits?
Through the Annual Report

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

Under the Act Wodonga City Council may defer payment or waive part or all of any rates or charge on the grounds of hardship. Council considers any legitimate submission for rate relief in cases of severe hardship in accordance with Wodonga City Council's 'Rates and Charges Hardship Directive'.

- What is the current total of rates and charges that are currently deferred?
Currently, City of Wodonga has two deferred properties, the balance outstanding is now \$25,538.49

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

Under the Act Wodonga City Council may defer payment or waive part or all of any rates or charge on the grounds of hardship. Council considers any legitimate submission for rate relief in cases of severe hardship in accordance with Wodonga City Council's 'Rates and Charges Hardship Directive'.

- What types of waivers do you provide to ratepayers and what is their estimated annual value?
Waivers for financial hardship are provided in limited circumstances in accordance with the requirements of the 'Rates and Charges Hardship Directive'. There have been no rate waivers in the last two years.

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

Currently, City of Wodonga raise the amount declared under the Penalty Interest Rates Act 1983 of 10 per cent for unpaid rates and charges.

- If not, what rates do you apply?
Not applicable.



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

No issues noted. Most multiple occupancy buildings include managed shopping centres or properties managed by property agents. The shopping centre management and agents provide Council with all relevant information to ensure rated occupancies and payments are up to date.

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

No issues noted.

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

There have been 5,494 supplementary rates notices completed over the 5 years from 2014-2015 to 2018-2019.

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

In total the supplementary rate revenue over the last 5 years has amounted to \$1.9 million.

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

Currently Wodonga City Council does not have a formal documented policy regarding unpaid rates and charges and charges.

- If you do not, how do you treat ratepayers that live in their properties?
If more than two instalments are outstanding or a payment arrangement is in default, where time permits the Council's Revenue Administrator, follows up owner occupier ratepayers with contact.

In all cases it is encouraged that all ratepayers enter into a payment arrangement to pay rate arrears.

Final notices are issued twice a year, once in December after the 1st and 2nd instalments are overdue and then again in June once the 3rd and 4th instalments are overdue. These notices are issued for all properties with balances over \$250.00. If the amount remains unpaid a final notice follow up letter is issued for all properties where a balance is owing of \$800.00 and over.

If the balance remains outstanding from the prior financial year, a further phone call is attempted, after which ratepayers are referred to Council's debt collection agency. These properties are lodged using the debt collection agency's customer engagement model. These are for balances over \$800 and where no payment arrangement is in place.

- Do you treat non-residential properties differently?

No. However, the financial hardship directive that covers rate waivers and deferrals in cases of severe financial hardship only applies to residential ratepayers in relation to the rates on their primary residence.

- Annually, over the past 5 years, how many ratepayers have you issued complaints on for unpaid rates and charges and to what total value?
 - 2014/2015 – 114 complaints issued
 - 2015/2016 – 51 complaints issued
 - 2016/2017 – 36 complaints issued
 - 2017/2018 - 24 complaints issued
 - 2018/2019 - 27 complaint issued



- What amount of interest do you charge on unpaid rates and charges? 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?
We outsource to a debt collection agency, using their customer engagement model where multiple attempts at contacting the debtor with an emphasis on putting a payment arrangement in place are made prior to escalating to legal action.

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

Currently Wodonga City Council does not have a policy regarding selling land to recover unpaid rates and charges. Wodonga City Council has not sold land nor claimed land instead of selling land.

- If no policy exists, how do you apply the relevant legislation?
We have no applied this section of the legislation before.
 - Do you apply the same approach regarding selling land where ratepayers live in their property?
Council would only consider selling a property when it is vacant and the owner has been unable to be located for several years after an extensive search. If a property is occupied Council would look to other options that may be available, such as deferment.
- Annually, over the past 5 years, how many times have you undertaken this process?
Not applicable
 - How many properties have you sold?
 - How much has this cost, per instance?
- How many times have you claimed land instead of selling land?
Not applicable
 - How much did this cost, per piece of land?
- What issues have you encountered when selling or claiming land?
Not applicable

16. What issues have you encountered in providing information for Land Information Certificates?

- Do you provide any updates (verbal or otherwise) to ratepayers/would-be ratepayers for these certificates?
Currently Wodonga City Council only provides verbal updates on Land Information Certificates issued when requested by the solicitors/conveyancers acting for the vendor or purchaser.
 - Have you experienced any privacy issues in providing updates? If so, what were they?
No private information is provided, only an update of the current rates amount.



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

This is incorporated into the Rating Strategy

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

Currently 15 properties are categorized as cultural and recreational lands. Wodonga City Council has determined not to levy rates on properties that are used exclusively for the purposes of recreation for the community of Wodonga due to the benefit to the community derived from such recreational lands.

- Annually, over the past 5 years, how much have you received in lieu of rates in relation to cultural and recreational property?

Nil

- How much would you receive if you were to assess these properties under your normal rates?

Under a differential of commercial occupied if these 15 properties were to be assessed under normal rates in 2019/20 the rates paid would be a combined \$106,448.

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

Nil

- 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?
Customer Focus staff address approximately 85% of customer enquiries, with the balance being directed to the Revenue Administrator for resolution.

- What are some common themes of those inquiries?
Themes are around valuations, 'why are my rates so high?', what services do I get for rates, rates cap questions, pensioner questions, penalty interest.

- What software do you use to administer your rating system?
Infor's Pathway – which covers a number of council functions
 - What is the estimated annual hardware/software cost to maintain rates using this system?
Software cost is \$52k+GST per year

- 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?
Approximately 1.5 FTE – costing around \$159k for salary and on-costs

