

LOCAL GOVERNMENT RATING SYSTEM REVIEW
SUBMISSION FROM STRATHBOGRIE SHIRE COUNCIL

Introduction

Strathbogrie Shire Council is appreciative of the Government instigating and review of the rating system.

By way of background the Council is a small rural Shire situated two hours north of Melbourne straddling the Hume and Goulburn Valley highways. It is a combination of rural properties, small towns and towns which are being impacted by population growth due to proximity to Melbourne.

From a rating perspective the breakup of the rate base is :

Rate type	CIV	Rate in the Dollar	Assessments
Commercial	144,004,000	.0060232	309
Commercial Vacant	1,756,000	.0105407	9
Residential	1,435,181,000	.0050194	4,684
Residential Vacant	65,298,000	.0087839	371
Farm	1,867,786,000	.0040155	2,233
TOTAL	3,514,025,000		7,606

Council also levies a Municipal Charge having reduced it from \$266 to \$133 in the 2019/20 Budget.

Council's rating level is relatively high, but this is largely due to decisions taken to address a significant infrastructure backlog, which is a particular challenge for small rural Councils with significant road lengths, and in Strathbogrie's case a significant number of bridges. Having largely addressed these issues, attention has now turned to aquatic facilities, a number of which were built a number of years ago and which are requiring significant investment.

Strathbogrie is one of a number of Councils in receipt of Federal funding due to the impact of drought, and conditions such as this have an impact on the ability of a number of our residents to manage their finances and therefore pay their rates.

Any discussion of financing of Councils through rates or other means is not complete without a discussion on the funding of local government generally.

Other than rates, a major source of revenue has been Finance Assistance Grants provided by the Federal Government. Whilst there have been some improved outcomes of recent years, the raw calculation of grants indicates that funding is only providing some 16.1% of assessed need.

Against this backdrop, tinkering with the rating system would not have as much impact as looking at an increased and guaranteed share in tax revenues being available to local government.

Comment on rating issues specifically:

There are a number of specific issues that Council wishes to make comment on:

Residential Village dwellings

Council has such a village within its area and these seem to be coming more popular. This contains movable or transportable dwellings placed in a residential park which the pays rent or site fees to the site owner. The main question in determining rateability is the definition of a transportable house. The developer does not pay rates on the value of the house, only the land in one assessment. This gives rise to the issue that residents within these villages are not contributing equally to the rates, compared to other ratepayers who are on individual assessments.

There is an argument that such villages fill a need in the market for affordable accommodation, although some contribution to Council operations should be required.

These types of villages should be rateable in some form.

In the Strathbogie example there are 49 dwellings on site, with the Site valued at \$1,327,000 which is essentially land value as the dwellings are not rated as such, although the Commercial rate does apply. Current rates payable are \$7,992 with one Municipal Charge of \$133 applying, a total of \$8,125. This does not include waste charges.

A weekly fee would also be charged by the operator, which using other sites as an example, may be up to \$100 per week or a total of \$4,900 per week.

At an estimated value per dwelling of \$165,000 over 49 dwellings, CIV would be \$8,085,000 which would realise rate revenue of \$40,581 (Residential rate) with 49 Municipal Charges adding \$6,517 making the total payable \$47,098.

This is \$38,973 more than paid at present and there is additional vacant land on the site which may accommodate additional dwellings.

Council is also aware of 2 prospective new proposals within the Shire.

Earlier valuation dates

Currently, Councils receive revaluation data generally towards the last quarter of the financial year, at about the time that Budgets are being prepared. After the rate notices are issued there is a two month period for ratepayers to lodge objections, and this can at times result in loss of revenue, which is very difficult to budget for, particularly in rate capped environment.

There seem to be two options to address this – earlier receipt of revaluation data, although this would not remove the issue of rate notices being issued and objections being received after that – in the new financial year. An option might be to issue an earlier Valuation notice to allow for objection assessment although this would add time to the process.

An alternative might be to still have annual revaluations but to adjust in a transition year such that a valuation would not apply for rating until the following rating year, allowing for assessment of objections prior to a budget being finalised.

Information on rate notice

The current Rate notice contains a great deal of information , generally in small print due to the volume of information, and quite often the fact that rate payers are unaware of a number of provisions indicates that they either do not read or it is too hard to locate.

Simplification of the notice and other means of providing information should be considered.

Rateability of revenue generating activities/Rating exemptions

Council is supportive of rate concessions for bona fide charitable activities, but where activities claiming rate concessions are effectively a business providing services to consumers in Victoria, Australia and even internationally, then rateability should be considered. Activities in this category include solar/wind farms and electricity generators, universities , private schools , religious property holdings used for commercial purposes or not held and occupied by the legal entity providing religious instruction/faith based services, RSL gaming/gaming venues on Crown land , mining, crown land used for commercial purposes.

In regard to rating exemptions, Council recently had a request for rate exemption/reduction on private premises that have been provided to the community at concessional rent for the purposes of an Art gallery. Some ability for Council to make decisions on who it grants exemptions to outside of creating a series of differential rates would be useful.

Special Rates

There are currently a defined number of purposes for which Council can levy special rates and charges and additional flexibility to do this for other service would be of advantage. Provided costs associated with a specific program were identified these should be outside of the rate cap – a current case in point is the implementation of the Domestic wastewater Management Plan which involves a series of actions including inspection of septic tanks.

Separation of Fire Services Levy Notice

Councils are currently subject to a rate cap and charges such as the Fire Services property Levy are not. The current situation with both charges appearing on the one notice can give the impression that an increase in the amount payable received by a ratepayer is solely due to Council decision. In order to provide transparency separation of the two notices should be considered.

Phil Howard
ACTING CHIEF EXECUTIVE OFFICER

30/10/19

