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Dr Kathy Alexander  
Panel Chair  
Local Government Rating System Review Ministerial Panel,  
C/o Department of Environment, Land, Water and Planning,  
Level 35, 2 Lonsdale St,  
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Dear Dr Alexander

### Local Government Rating System Review

Thank you for the opportunity to provide a submission to the Local Government Rating System Review (broader policy), following the release of the Ministerial Panel's consultation paper.

A rating system that does not adequately recognise the significant challenges faced by the City of Port Phillip poses a significant risk to its financial and service delivery sustainability.

The City of Port Phillip continues to have concerns regarding the limitations the Rate Capping environment places on our ability to deliver services and maintain our asset base.

The City of Port Phillip welcomes the opportunity to inform the development of a rating system review that best supports its own objective of providing valued services to the community. This submission provides the City of Port Phillip's views on the key issues raised within the consultation paper. The objective of this submission is to inform the development of a rating system that allows the City of Port Phillip the:

- Autonomy to meet its community needs.
- Ability to manage the significant financial challenges and risks unique to this council.
- Ability to address the issues of fairness, equity and transparency.

Council hopes that the review is not used as an opportunity to transfer State Government imposts to the Local Government Sector.

The areas of the rating system that do not appropriately address the issues of fairness, equity and transparency and require further attention include:

- Rates exemptions (Section 154 of the Local Government Act).
- Service Charges (Section 162 of the Local Government Act).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Dick Gross'.

**Cr Dick Gross**  
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# Submission by the City of Port Phillip to the Ministerial Panel on the Local Government Rating System Review

## ABOUT THE CITY OF PORT PHILLIP

The City of Port Phillip (“CoPP”) is located south of the Melbourne city centre, on the northern shore of Port Phillip Bay. The City’s official population was 116,245 in 2019. By 2027 CoPP’s population is expected to grow by 23 percent, to more than 136,000 people.

CoPP is a culturally diverse municipality, with 31% of residents born overseas. The age structure of the population shows that, relative to the Victorian population, there is a smaller proportion of people in the younger age groups and in the older age groups. Today, 38% of CoPP residents report that they own or are purchasing their own home and 49% of residents reported renting. The city attracts approximately four million visitors each year.

The municipality also has significant pockets of residents who are disadvantaged. CoPP has a long history of supporting vulnerable people especially the homeless, a commitment to social justice and equality, arts and culture, libraries, childcare and to sustainability.

Our City is Melbourne’s playground. The beach lifestyle and coastal activities are very attractive and important to health and enjoyment of residents and visitors. However, CoPP is built on reclaimed land to the south and north. Much of CoPP is only one to three metres above sea level and coastal areas are exposed to the impacts of climate change, especially flooding and erosion.

With regard to CoPP’s current revenue base, rates revenue (including supplementary rates) is forecast to make up approximately 57% of CoPP’s total revenue in 2019/20. Parking revenue is the second largest source of revenue at approximately 17% of total revenue (more details can be found in CoPP’s publicly available Budget 2019/20).

CoPP faces a number of significant financial challenges that are specific to this municipality, including the expectation of high growth, the management of projects that have State wide significance, the maintenance of highly valued foreshore assets, and the impacts of climate change especially flooding and erosion.

It is in this context that CoPP offers its views on the development of the Local Government Rating System and Framework, following the release of the Ministerial Panel’s consultation paper.

## SUMMARY

A sub-optimal outcome from the rating system review will compromise service delivery to the community and/or the financial sustainability of councils.

This submission provides CoPP’s views on the key issues raised within the Ministerial Panel’s consultation paper. The objective of this submission is to inform the development of a rating system that allows CoPP the:

- autonomy to meet its community needs.
- ability to manage the significant financial challenges and risks unique to this council.
- ability to address the issues of fairness, equity and transparency.

In order to achieve these objectives, it is CoPP's view that the rates system framework should:

- minimise the regulatory burden wherever possible
- provide councils as much autonomy as possible to represent their communities, to which they are ultimately accountable.
- not advantage/disadvantage councils based on each council's current service provision, cost base or rating practices.
- be implemented in a flexible manner that respects the diversity of the sector.
- be reviewed periodically to keep up to date with changes in the local government sector and community expectations.

In particular, the main sections of the Local Government Act which prescribes the rating system should be amended to address the concerns of transparency, fairness and equity.

- **Rates exemptions Section 154:** A greater autonomy for Councils to determine the criteria for property rates exemptions. The Rating Strategy which sets the criteria based on principles, should be consulted with our community to ensure fairness & equity.  
All rates exemptions granted should be reported annually as part of the rates declaration requirements to ensure transparency.
- **Service Charges Section 162:** A greater autonomy for Councils to determine service charges that meet its community needs. This should not be prescriptive.  
For example: Much of our City is one to three metres above the sea level, which means that significant investments will be required to address climate change impacts, particularly our foreshore & marine assets. The ability to declare an Environmental Levy similarly to other State Jurisdictions (Queensland) should be an option available for consideration by the relevant community and Council.

#### DETAILED RESPONSES:

Consultation Questions	City of Port Phillip's Response
<p>What types of properties should receive rating exemptions? Why would this be fair?</p>	<p>CoPP's Council Plan which includes endorsed strategies &amp; policies was informed by consultation with our community to address current and future challenges.</p> <p>It is therefore appropriate that our rating strategy is aligned with the Council Plan. However, this cannot be done due to the prescriptive nature of the Local Government Act (the Act).</p> <p>The Act provides rates exemptions that are too prescriptive and does not allow Council the autonomy to adjust these exemptions so that they align to our Council Plan.</p>

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Consultation Questions	City of Port Phillip's Response
	<p>Examples of exemptions that are inconsistent with our Council Plan include:</p> <ul style="list-style-type: none"> <li>• We have a large number of properties exempt from rates classified under “charitable purposes”, some of which are providing profit-making activities. Some make annual net profits in the millions.</li> <li>• Returned Service League clubs with gambling activities and provision of alcohol are rates exempt despite these activities being inconsistent with our policies &amp; strategies.</li> </ul> <p>CoPP supports a framework that allows Council the autonomy to determine what exemptions are available within the municipality. It should be based on a Council endorsed Rating Strategy consulted with our community, as this will achieve greater transparency, and a fairer and more equitable approach.</p>
Does your council report on rate exemptions granted, and/or their estimated value?	<p>No, CoPP does not report on granted rates exemptions. That said, CoPP believes this should be reported to the community for transparency and engagement.</p>
Should councils be required to report on rates exemptions? Why?	<p>As previously proposed in the above response, CoPP's Rating Strategy was endorsed by Council which provided the community a say. It is therefore appropriate that Council should report on granted rates exemptions to ensure transparency.</p> <p>That said, mandatory reporting of rates exemptions does little to improve community engagement without enabling the Council and the Community to make considered decisions on rates exemptions that are consistent with our policies and strategies.</p>
How does your council allocate differential rates? Why?	<p>CoPP currently uses the NAV rating system that can only apply differential rates on a limited basis (farm land, urban farm land and residential use).</p> <p>NAV has an in-built differential rating factor whereby all properties are set at a minimum 5% of CIV, unless they are non-residential properties and achieve higher NAV than 5% of CIV.</p> <p>That said, Council should have the autonomy to determine the allocation of differential rates based on a principled approach informed by our community.</p>

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What types of properties should pay more through differential rates? Why?	<p>CoPP has not consulted the community on the use of differential rates.</p> <p>That said, differential rating is an instrument that could be used for a fairer distribution of rates subject to community consultation.</p>
What types of properties should receive rates waivers? Why?	<p>CoPP's current rating strategy does not waive rates as all properties benefit from Council services. Rates should remain a charge on the property and therefore liability to be paid to Council on ownership transfer.</p> <p>That said, CoPP has a compassionate approach to debt management. In cases of financial hardship, CoPP offers deferred payment (arrangement to pay) option, and a partial waiver of late payment penalty interest may be appropriate.</p>
If councils provide rate discounts what criteria should apply?	<p>CoPP is committed to providing targeted support for the financially disadvantaged in the community. CoPP currently offer a council sponsored pensioner rebate (\$170 in 2019/20) in addition to the State rate concession for pensioners.</p> <p>CoPP is also committed to support the provision of affordable housing. We provide a 50 percent rates concession to the Public Housing Estates which provides the first option to nominate low income, disadvantaged, or inappropriately housed residents of CoPP when vacancies become available in these Public Housing Estates.</p> <p>Rebates and discounts should be determined in consultation with our community and included in the rating strategy to be adopted by council.</p>
Should cultural and recreational land and electricity generators have alternative rating arrangements? Why?	<p>Cultural and Recreational Land is governed by the Cultural and Recreational Lands Act 1963, which is not referred to in the Local Government Act. This is problematic as the community will not be aware of this unless they contact council for advice. At the minimum this should be referred in the Act to ensure transparency with the community.</p> <p>CoPP currently apply a percentage discount from the general rates to reflect the community benefits from the land. The discounts align to our Council Plan priorities.</p>

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<p>Should property values determine rates? If not, then what should?</p>	<p>Property values is the preferred value used to determine rates. This is due to:</p> <ul style="list-style-type: none"> <li>• the data is readily available,</li> <li>• the data is relatively consistent,</li> <li>• the bulk of the data does not fluctuate and change quickly,</li> <li>• the data is used by many parties including, Councils and the Victorian government and its agencies,</li> <li>• a system is in place to for capturing and reporting the data, therefore efficient.</li> <li>• it is considered to be a progressive system taking into account the capacity to pay (property values proxy to wealth).</li> </ul> <p>Any new methodology will need to address the above requirement and in addition will lead to material financial and service impact for the Local Government sector.</p>
<p>What services should be funded by their users (in line with the user pays principle) rather than through general rates?</p>	<p>CoPP's financial principles are used to determine what services are to be paid by user:</p> <ul style="list-style-type: none"> <li>• Funding is prioritised towards achieving Council strategies and priorities, and in accordance with key policies.</li> <li>• Those who directly benefit from or cause expenditure will make a contribution towards funding it.</li> <li>• Where benefits from an investment are to be enjoyed by future generations, those future generations should contribute to the cost.</li> <li>• The capacity of people to pay will be considered in determining the appropriate mix of funding mechanisms.</li> </ul> <p>In line with above principles, the CoPP charges fees for the following services: Aged and disabilities services, child care services, hire of council facilities and sportsground, exclusive use of council infrastructure assets (land, roads, footpaths, parks, and other assets), paid on-street parking, disposal of waste at Resource Recovery Centres, development fees related to statutory planning and building control services, health services (incl food, personal services, and accommodation), animal management, local laws, filming and</p>

Consultation Questions	City of Port Phillip's Response
	photography permits, market stalls, land information, and financial/merchant surcharge.
When should councils use special rates and charges? Why?	CoPP's current policy is that Special rates and charges will be used where a special benefit or service can be identified for ratepayers and only following consultation with the affected ratepayers. Council currently has three special rates scheme for the marketing, management and business development of Port Melbourne Business Precinct, Fitzroy Street and Environs Business Precinct, and Acland Street Village Business Precinct.
How does your council set charges for waste and other services?	<p>CoPP will use service charges where private benefit exists for specific services and where this is consistent with its broader funding principles. Service charges will also be used (or not used) as a means of influencing community behaviour and ensuring equitable and outcomes in the community.</p> <p>CoPP does not currently raise a separate waste bin charge for its kerbside collections. However, CoPP charges a fee for the following:</p> <ul style="list-style-type: none"> <li>• A \$298 fee for non-rateable assessment to ensure they contribute towards the cost of the service.</li> <li>• Behaviour pricing fees:</li> <li>• A \$154 for a larger 240 litre bin</li> <li>• A \$60 rate discount/rebate for a smaller 80 litre bin.</li> </ul> <p><b><u>Council should have the autonomy to set service charges for other services which is currently not available in the Act.</u></b></p> <p>For example, much of CoPP is only one to three metres above sea level, therefore will be impacted by climate change (flooding &amp; land erosion). Council is unable to set new charges to address this challenge. Other jurisdictions are more flexible: - <i>Sunshine Coast has an Environmental Levy to fund a range of programs to deliver environmental outcomes.</i></p>
Does your council have a clear rating strategy?	CoPP has a Rating Strategy that is endorsed by Council, which is to be reviewed at least every five years.

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Should all councils apply consistent rating practices? Why/why not?	<p>The rating system should provide CoPP the:</p> <ul style="list-style-type: none"> <li>• Autonomy to meet its community needs</li> <li>• Ability to manage the significant financial challenges unique to this council.</li> </ul> <p>Each council has a different operating context such as its asset base and condition, geography, demographic mix, service priorities, and population growth.</p> <p>In City of Port Phillip's context, some samples of the differences to other councils include:</p> <ul style="list-style-type: none"> <li>• Much of CoPP is only one to three metres above sea level, therefore we will need to invest significantly to address climate change.</li> <li>• CoPP's population is expected to grow by 23 percent by 2027. This is mostly due to Fisherman's Bend Urban Renewal Area, which is not fully funded by its Infrastructure Contribution Plan.</li> <li>• CoPP has the highest reported number of homeless persons amongst our neighbouring Councils, therefore we provide funding to support affordable housing and provide homelessness support services.</li> <li>• A large food and retail market (South Melbourne Market)</li> <li>• We operate five children centres and support a number of community run centres.</li> <li>• Along with Yarra council, we are the only Councils in Victoria that provide a community transport service.</li> <li>• We have two staffed adventure playgrounds.</li> <li>• We have in total 15 community centres – one of the highest in Victoria.</li> <li>• Being a popular tourist destination, CoPP allocates a significant budget annually to manage the influx of visitors over summer.</li> <li>• CoPP invests in festivals including the St Kilda Festival, St Kilda Film Festival and Live n' Local festival so that we can be a Creative and Prosperous City.</li> </ul>
Does the Local Government Act 1989 (and other requirements) provide clear rules and guidance to councils to set	<p>The current Act is too prescriptive.</p> <p>It is more appropriate for the Act to set a high-level framework and requires all Councils to develop a community consulted rating strategy. This way, Councils have the autonomy to set rates and</p>

Consultation Questions	City of Port Phillip's Response
and levy rates? What could be improved?	charges which are transparent and meet the needs of the community.
Does your rates notice have the information you want? If not, what would you like to see on your rates notice?	<p>CoPP is committed to being transparent with our community.</p> <p>In addition to the prescribed information to be included in the rates notice, CoPP's rates notice also include information on how rates are calculated, contact information, change of address directions, valuation and objections and penalties for late payments.</p> <p>Further, a rates brochure is sent to all ratepayer along with the rates notice. The rates brochure provides further details on what services Council provide and where they are invested, additional information on rates and valuation, and other relevant information.</p>
How convenient is it to receive your rates notice and make payments?	<p>CoPP endeavours to make it as easy as possible for ratepayers to receive their rates notice and make payments.</p> <p>Ratepayers can receive their rates notice electronically and by post.</p> <p>There are currently eight rates payment options available to CoPP residents &amp; businesses.</p> <ul style="list-style-type: none"> <li>• Online via CoPP's online services option,</li> <li>• Internet BPoint payment</li> <li>• Telephone BPoint</li> <li>• BPay</li> <li>• Direct debit</li> <li>• Australia Post Office</li> <li>• Port Phillip Town Hall</li> <li>• Post</li> </ul> <p>Ratepayers can pay their rates in full, quarterly instalments, and direct debit over 10 months.</p>
Do you engage with your council in setting rates through the annual budget consultation? If so how easy/difficult is it to do? If not, why not?	<p>CoPP has a robust budgeting process that engages the community. For 2019/20 budget:</p> <ul style="list-style-type: none"> <li>• CoPP held 10 neighbourhood-based sessions pop-up conversations between October and December to find those services the community thinks are important for Council to provide and the services they use.</li> <li>• Further deliberative consultation in May to build upon the results from the neighbourhood-based conversations for</li> </ul>

Consultation Questions	City of Port Phillip's Response
	<p>further discussions and debates about what they think are important services for Council to deliver and what isn't a priority.</p> <ul style="list-style-type: none"> <li>• 28 days of Statutory public consultation of the draft budget.</li> <li>• Hearing of Public Submission in June prior to budget adoption.</li> </ul> <p>The whole process is resource intensive, however CoPP believes it is important for the community to be involved in the development of the annual budget. Council received over 200 submissions on the Council Plan and Budget this year.</p>