



Submission to the Ministerial Panel for the Victorian Local Government Rating System Review.

OCTOBER 2019.



'The Peak Industry Body for Licensed, Sporting and Community Clubs in Victoria'

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1 Summary

Community Clubs Victoria (CCV), the peak industry body for not-for-profit Community Clubs, are pleased to provide this submission for the Victorian Local Government Rating System Review Ministerial Panel.

This submission outlines the current rating system utilised by local Government in Victoria and makes recommendations in relation to reviewing the current system and contextualizes the recommended rating methodology to be applied to Sporting and Community Clubs, in view of the unique contributions that these not-for-profit clubs make to our community.

Community Clubs contribute to the health and social wellbeing of the community through sporting and recreational activities and everyday hospitality and entertainment services. In particular, clubs are well placed to support their local community, including caring for older community members. Clubs are not-for-profit operations that exist to serve their membership and the greater community as a 'community asset'.

While not a core club purpose, aged care support, community project fundraising and providing facilities and services to assist agencies such as the Country Fire Authority and State Emergency Service are at the heart of community clubs.

Regional areas in particular do not generally offer Council / Government managed facilities of sufficient quality or quantity to meet the needs of our growing and ageing population. Clubs throughout Victoria can be found in all sizes and in central locations near public transport, community facilities and shops. They typically have a sizeable population of elderly members and provide a range of services and facilities for those members. Such services range from low-impact sports like bowls, golf, swimming pools, gymnasiums and many have courtesy bus transportation to and from home, opportunities for social inclusion and hospitality including affordable meals, drinks and entertainment.

Academic research previously undertaken by Clubs Australia and through the *KPMG National Clubs Census* has shown that clubs allow older people to maintain social interaction and facilitate independence. Clubs are community meeting places for people of all ages and are viewed as safe, familiar places for young and older club members. This in turn leads to enhanced 'wellbeing' of the population and therefore reduced health service costs to the community.

In addition, clubs in regional areas are often the biggest employers and the best resourced non-government organizations with the ability to act independently or combine with Government to support Emergency Service operations during times of natural disasters or acute community need.

Most importantly, because clubs are not-for-profit they do not need to pay dividends to shareholders or declare profits. This allows clubs to provide services to the community for the benefit of residents who widely regard clubs as 'community assets'.

CCV recognize the need for Government to review and re-assess the Victorian rating system. In view of the extensive population growth in recent years, particularly in outer suburbs but also due to intense re-development of inner city areas, now creating high density residential dwellings with the addition of multi-story apartment developments across Melbourne. This population increase has

created un-met demand in relation to a range of community services in addition to requirements for new infrastructure to be built to provide for our communities. In view of this environment clubs will continue to play an integral part in providing services to growing communities and assist with facilities that are not funded by Government.

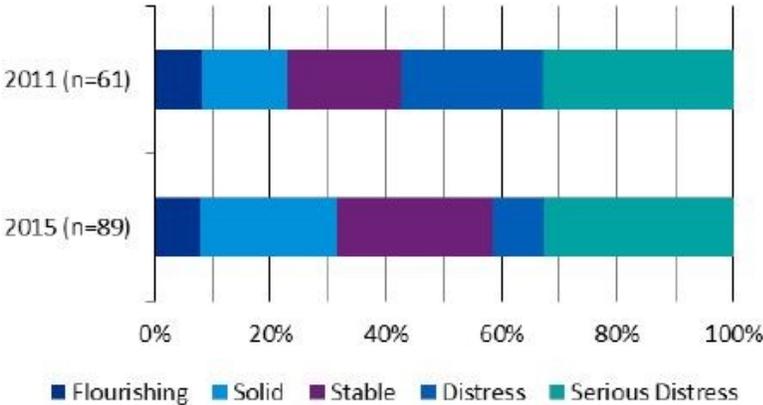
Community Clubs Victoria seeks to assist Member clubs by ensuring that the Victorian Local Government Rating System Review Ministerial Panel fully understands the contribution that clubs make to the Victorian community and the services that they provide for our communities. As such, clubs have always sought to contribute to the community and pay their fair share of Rates, Taxes and Service charges. Clubs are however anxious to ensure that the Ministerial Panel appreciate that clubs are not-for-profit entities and due consideration is accorded to the important role that clubs play within the community and are differentiated from other commercial business enterprises.

Since the inception of the *Cultural and Recreational Lands Act 1963* many clubs that are situated on State Government lands or local Government owned or managed lands are captured under the Act and have been levied Rates pursuant to the *Cultural and Recreational Lands Act 1963*. The Act specifies that Rate calculations established by local Government must have regard to the *services it provides to the specific recreational land and the benefits it provides to the community*. We submit that the Hansard, spirit and intent of the legislation is clearly distinct from commercial operation rating methodology and applying *Capital Improved Values* in relation to establishing Rate calculations is inconsistent with the legislation. We submit that the concepts enshrined within the *Cultural and Recreational Lands Act 1963* should be maintained and applied to all not-for profit incorporated community clubs, with the inclusion of two important considerations to assist with the interpretation and application of legislation of this system going forward. This is to :

- Clarify the interpretation of the *Cultural and Recreational Lands Act* rating system so that Councils do not seek to circumvent the legislation by applying an interpretation considering other *'relevant matters'* and *'land value'* in setting the Rates.
- Providing a clearer system of re-consideration and external review of local Government Rating calculations where the Ratepayer is aggrieved and believes that an incorrect or inequitable assessment has been made.

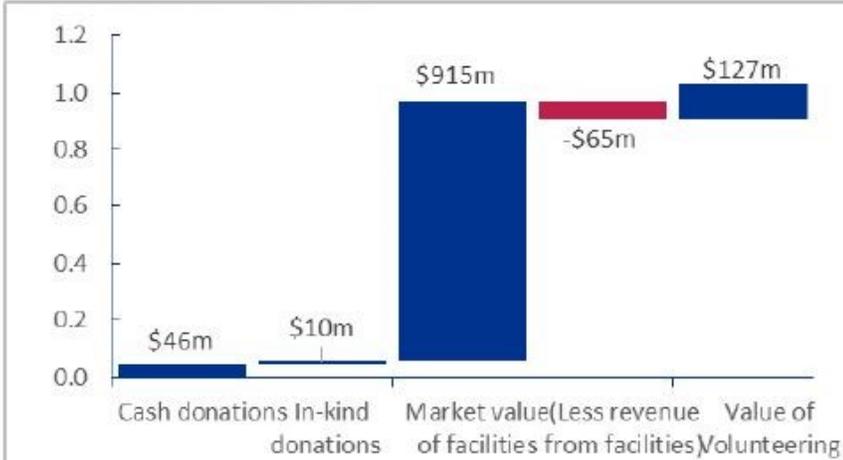
1.1 Economic Snapshot of Victorian Clubs

- Financial viability (by EBITDA) of respondents in Victoria between 2011 and 2015



Source: Clubs Census 2015 and KPMG analysis.

- Total social contribution of clubs in Victoria by component (2015 - \$ billions)



Source: Clubs Census 2015 and KPMG analysis.

Economic Snapshot of Victorian Clubs (Cont.)

– Club industry workforce by employee type in Victoria (2015)



Source: Clubs Census 2015 and KPMG analysis.

– Club sector salaries in Victoria between 2011 and 2015

	Clubs Census 2011	Clubs Census 2015	Change (%)
Total salaries (\$m)	708.3	806.9	+13.9
Average salaries paid per club (\$'000s)	591.7	564.3	-4.6

Source: Clubs Census 2015 and KPMG analysis.

2. Introduction - About Clubs

Clubs are not-for-profit community based organisations whose central purpose is to provide infrastructure and services for our community. Clubs contribute to their local communities through employment and training, direct cash and in-kind social contributions and through the formation of social capital by mobilizing volunteers and providing a diverse and affordable range of services, facilities and goods.

Clubs have been an important part of life and development of Australia since before Federation. The first formal clubs were formed in the 1800s and have continued to be established throughout the 20th century and into the 21st century. The reasons for establishing clubs were many and varied. Most however were created to provide the community with a social meeting place or to provide sporting facilities. Others were established to support migrant communities or to preserve national culture and interests.

Under the *Local Government Act (1989)*, a primary objective of all Victorian Local Governments is to ensure the equitable imposition of rates and charges. (Section 3C(f)). The purpose of this submission to the *Ministerial Panel for the Victorian Local Government Rating System Review* ('the Ministerial Panel') is to provide background, context and information regarding the Community, Sporting and Licensed Club sector, so that the Ministerial Panel may consider what rating options are fair, reasonable and equitable, whilst balancing the important benefits associated with these community assets.

It is important to note that in reviewing a Rating methodology a selected system is inter-linked to a sound Financial Strategy and Annual Budget framework, where funding key services for the community are the focus. Clearly, a core concern is the **quantum** of rates required to be raised for Councils to deliver services and support capital expenditure required. The focus for Community Clubs is how Rates will be **equitably calculated and applied** amongst ratepayers and Community Clubs.

3. Rating– the Legislative Framework

The purpose of this section is to outline the current legislative framework and environment in which local Governments operate, considering the various issues that Councils need to consider in making decisions on rating.

3.1 Legislative Framework

Section 3C of the *Local Government Act (1989)* stipulates the primary objective of Councils is to endeavor to achieve the best outcomes for the local community, having regard to the long term and cumulative effects of its decisions. In seeking to achieve its primary objective, Councils must have regard to the following objectives:

1. Promote the social, economic and environmental viability and sustainability of the municipal district;
2. Ensure resources are used efficiently and effectively;
3. Improve the overall quality of life of the people in the local community;
4. Promote appropriate business and employment opportunities;
5. Ensure services and facilities provided are accessible and equitable;
6. Ensure the equitable imposition of rates and charges;
7. Ensure transparency and accountability in Council decision making.

The issue of equity must therefore be addressed in a rating methodology framework, to provide a fair system to meet community needs.

In considering what rating approaches are equitable, it is helpful to summarise the concepts that have historically been applied, as follows :

Horizontal equity refers to justice or fairness in the treatment of **like** properties, in other words, that similar rates are paid by similar properties.

On the basis that Council valuations fairly reflect the true valuation of like properties, horizontal equity will be achieved.

Vertical equity refers to the justice or fairness in the treatment of properties in different circumstances.(e.g. different property types – Residential/ Commercial/ Industrial / Farming/ Vacant / Developed).

In the case of property rates, it may be considered equitable for one type of property to have to bear more or less of the rates burden than another type of property. In achieving vertical equity in its rating framework, one must consider the valuation base to adopt and apply concerning property rates and the application of the various rating tools available to it under the Local Government Act. (e.g. differential rates).

Linkage of property wealth to capacity to pay – the valuation of property is an imperfect system in which to assess a resident's ability to pay annual rates but one which Councils are restricted to under the Local Government Act (1989). A frequently raised example is in relation to pensioners who may live in their family home which carries a high value, but live on a pension. The equity question for consideration however is, should Councils support residents in this situation with lower rates that will eventually be to the financial benefit of estate beneficiaries? Or alternatively, should the ability to defer rates (in all or in a part) represent a more equitable outcome for all ratepayers?

The Benefit principle - One of the more misunderstood elements of the rating system is that residents seek to equate the level of rates paid with the amount of benefit they individually achieve. The reality is however property rates are a system of taxation not dissimilar to P.A.Y.G tax.

In paying a tax on salaries, it is rarely questioned what benefit is received with it being acknowledged that tax payments are required to pay for critical services (Health, Education, infrastructure, etc) across the nation. Local Government is not dissimilar, with rates being required to subsidise the delivery of services and capital works that would otherwise be un-affordable if charged on a case by case basis.

In addition, currently Councils must make a rating decision in terms of whether to use a fixed waste charge to reflect the cost of waste collection and a fixed municipal charge to defray the administrative costs.

The approaches recommended in this submission are based on principles of equity and outlined in each section discussing the applicable framework and methodology.

3.2 What Rates and Charges may a Council currently declare?

Section 155 of the Local Government Act (1989) provides that a Council may declare the following rates and charges on rateable land

- General rates under Section 158;
- Municipal Charges under Section 159;
- Service Rates and Charges under Section 162;
- Special rates and charges under Section 163.

3.3 Valuation Methodology available to Councils

In raising rates, Councils are required to primarily use the valuation of the rateable property to levy rates.

Section 157 (1) of the Local Government Act (1989) provides Councils with three choices in terms of which valuation base to utilise. They are Site Valuation, Capital Improved Valuation and Net Annual Value.

Declaring Rates and Charges:

Section 158 of the Local Government Act (1989) provides that Councils must at least once in respect of each financial year declare by 31 August the following for that year: -

1. The amount which Council intends to raise by way of general rates, municipal charges, service rates and service charges;
2. Whether the general rates will be raised by application of –
 - i. A uniform rate; or
 - ii. Differential rates (if the Council is permitted to do so under Section 161 (1))
 - iii. Urban farm rates, farm rates or residential use rates (if the Council is permitted to do so under Section 161A)
 - iv. Cultural And Recreational Lands Act 1963

4. Determining which valuation base to use

As outlined, under the Local Government Act (1989), Councils have three options regarding the valuation base it elects to use.

These are as follows:

- **Capital Improved Valuation (CIV)** – Value of land and improvements upon the land
- **Site Valuation (SV)** – Value of land only
- **Net Annual Value (NAV)** – Rental valuation based on CIV. For residential and farm properties, NAV is calculated at 5 per cent of the Capital Improved Value. For commercial and industrial properties NAV is calculated as the greater of the estimated annual rental value or 5 per cent of the CIV.

4.1 Capital Improved Value (CIV)

Capital Improved Valuation (CIV) is the most commonly used valuation base by Victorian Local Government with most Councils applying this methodology. CIV is based on the value of both land and all improvements on the land, it is relatively easy to understand by ratepayers as it equates to approximately the market value of the property.

Under the CIV method Councils also have the ability to apply differential rates should they wish to.

Section 161 of the Local Government Act (1989) provides that a Council may raise any general rates by the application of a differential rate if –

1. It uses the capital improved value system of valuing land; and
2. It considers that a differential rate will contribute to the equitable and efficient carrying out of its functions.

Where a Council does not utilise capital improved valuation, it may only apply limited differential rates in relation to farm land, urban farm land or residential use land.

Advantages of using Capital Improved Valuation (CIV)

- Capital-improved value includes all improvements, and hence is often supported on the basis that it more closely reflects “capacity to pay”. The CIV rating method takes into account the full development value of the property, and hence better meets the equity criteria than Site Value and NAV.

- With the increased frequency of valuations (previously four year intervals, now two year intervals), the market values are more accurate and this has reduced the level of objections resulting from valuations.
- The concept of the market value of property is far more easily understood with CIV rather than NAV or SV.
- Most LGA's in Victoria have now adopted CIV which makes it easier to compare relative movements in rates and valuations across Councils.
- The use of CIV allows Councils to apply differential rates which greatly adds to LGA's ability to equitably distribute the rating burden based on ability to afford rates. CIV allows Councils to apply higher rating differentials to the commercial and industrial sector that offset residential rates.
- The Fire Services Property Levy is calculated on the CIV and continued use of this reinforces the principle of calculating rates based on CIV.

Disadvantages of using CIV

- The main disadvantage with CIV is the fact that rates are based on the total property value which may not necessarily reflect the income level of the property owner particularly pensioners and low income earners.

Advantages of Site Value

- The use of SV would allow a simplified comparison between properties, and not discriminate between the quality of the buildings thereon.

Disadvantages in using Site Value (SV)

- There would be further movements of the rating burden away from modern townhouse style developments on relatively small land parcels to older established homes on the more typical quarter acre residential block.
- SV is a major burden on property owners that have large areas of land. Some of these owners may have much smaller/older dwellings compared to those who have smaller land areas but well developed dwellings - but will pay more in rates. A typical example is flat, units, townhouses which will all pay low rates compared to traditional housing styles.

- The use of SV can place pressure on Councils to give concessions to categories of landowners on whom the rating burden is seen to fall. Large landowners are disadvantaged by the use of site value.
- SV will reduce Councils rating flexibility and options to deal with any rating inequities due to the removal of the ability to levy differential rates;
- The rate-paying community has greater difficulty in understanding the SV valuation on their rate notices and may cause confusion with State Revenue Office who levy land tax on site value.

4.2 Fire Services Levy

The Fire Services Property Levy is calculated on the CIV and use of different valuations could also cause confusion as this levy is shown on the Rates Notice. Net Annual Value

Net annual value, in concept, represents the annual rental value of a property. However, in practice, NAV is closely linked to capital improved value for residential and farm properties. Valuers derive the NAV directly as 5 per cent of CIV.

In contrast to the treatment of residential and farm land, Net Annual Value for commercial and industrial properties is assessed with regard to actual market rental. This differing treatment of commercial versus residential and farms has led to some suggestions that all properties should be valued on a rental basis.

Overall, the use of NAV is not supported. For residential and rural ratepayers, actual rental values pose some problems. The artificial rental estimate used may not represent actual market value, and means the base is the same as CIV but is harder to understand.

In choosing a valuation base, councils must decide on whether they wish to adopt a differential rating system (different rates in the dollar for different property categories) or a uniform rating system (same rate in the dollar). If a council was to choose the former, under the Act it must adopt either of the CIV or NAV methods of rating.

4.3 Summary

It is recommended that the system of Councils applying Capital Improved Valuations be retained as the valuation base for the following reasons:

- CIV is considered to be the closest approximation to an equitable basis for distribution of the rating burden.

- CIV provides Councils with the option to levy a full range of differential rates if required. Limited differential rating is available under the other rating bases.
- It should be noted that a majority of Victorian Councils apply CIV as their rating base and as such, it has a wider community acceptance and understanding than the other rating base methodologies.

5. Determining the Rating System-Uniform or Differential?

These systems are quite different in application and have different administrative and appeal mechanisms that need to be considered.

5.1 Uniform rate

Section 160 of the Act stipulates that if a Council declares that general rates will be raised by the application of a uniform rate, the Council must specify a percentage as the uniform rate. Rates will be determined by multiplying that percentage by the value of the land.

5.2 Differential Rates

Some Councils with a broad base of properties (Residential, Commercial, Industrial) have adopted differential rating as they consider that differential rating contributes to the equitable distribution of the rating burden. Differential rating allows particular classes of properties to be assessed at different levels from the general rate set for the municipality. Differential rating allows Councils to shift part of the rate burden from some groups of ratepayers to others, through different “rates in the dollar” for each class of property.

Under the Local Government Act (1989), Councils are entitled to apply differential rates **provided they use Capital Improved Valuations** as its base for rating.

5.3 Objective of the rate and characteristics

For differential rates it is considered that each differential rate would be used to contribute to the equitable and efficient carrying out of Councils functions. The following are the objectives of differential rates which would need to be considered prior to adoption:

Commercial rate – A commercial rate would promote economic development objectives for the City including the development of the retail precinct. The commercial differential rate would be part of a rating system which maintains, as far as possible, the current rates burden on commercial properties given the tax deductibility of rates for businesses and the extent of use of the city’s infrastructure by business, especially the road network.

Industrial rate – An industrial rate could promote economic development objectives for the municipality including industrial development. The industrial differential rate would be part of a rating system which maintains, as far as possible, the current rates burden on industrial properties given the tax deductibility of rates for businesses and the extent of use of the city infrastructure by industry, especially the road network.

Residential vacant land - A higher residential vacant land rate could promote housing development objectives for the municipality including the development of vacant land in residential zoned areas.

Commercial/Industrial vacant land – Higher Commercial and Industrial Vacant Land rates could promote economic development objectives for the municipality including the development of vacant land in commercial and industrial zoned areas.

5.4 Advantages of a differential rating system

The perceived advantages of utilizing a differential rating system are:

- There is greater flexibility to distribute the rate burden between all classes of property, and therefore link rates with the ability to pay and reflecting the tax deductibility of rates for commercial and industrial premises;
- Differential rating allows Councils to better reflect the investment required by a Council to establish infrastructure to meet the needs of the commercial and industrial sector;
- Enables Councils to encourage particular developments through its rating approach, for example encouraging building on vacant blocks
- Allows Councils to reflect the unique circumstances of some rating categories where the application of a uniform rate may create an inequitable outcome

- Allows Councils discretion in the imposition of rates to ‘facilitate and encourage appropriate development of its municipal district in the best interest of the community’.

5.5 Disadvantages of Differential Rating

The perceived disadvantages in applying differential rating are:

- The justification of the differential rate can at times be difficult for the various rating groups to accept giving rise to queries, objections and complaints where the differentials may seem to be excessive.
- Differential rates can be confusing to ratepayers, as they may have difficulty understanding the system. Some rating categories may feel they are unfavourably treated because they are paying a higher level of rates than other ratepayer groups.
- Councils may not achieve the objectives they aim for through differential rating. For example, a Council may set its differential rate objectives to levy a higher rate on land not developed, however it is uncertain as to whether the differential rate achieves those objectives.
- Lobbying pressure could be applied to favour certain categories over others, potentially impacting the perceived fairness of the rating system.

6. What differential rates should be applied?

This submission recommends that Councils continue applying the general rate for all non-residential properties (excluding CRLA properties).

6.1 Cultural & Recreational Land Act (CRLA) Properties

In accordance with the *Cultural and Recreational Lands Act 1963* (CRLA), Councils are required to declare properties that qualify as Cultural and Recreational Lands for the purpose of special consideration in regard to rates payable. Councils are required to base the amount of rates payable upon the services provided by the municipality in relation to such lands and also having regard to the benefit to the community derived from such recreational lands.

Pursuant to the legislation, rates for CRLA properties are required to be calculated on a different method than the method used for the calculation of general rates (other rateable properties). The rates calculation is required to consider the benefits that CRLA properties provide to the community. In view of the difficulty in establishing this assessment the calculation applied by a number of Councils is as follows:

“In use” valuation multiplied by a 50 - 80% discount rate in the dollar

compared to the rates calculation for other rateable properties being: *Capital*

Improved Value (CIV) multiplied by the rate in the dollar.

Historically a range of Councils have applied a rate payable applicable to sporting clubs under the Cultural and Recreation Lands Act, (notional discount of 50 - 80% of the rate in the dollar). In line with the CRLA it is not appropriate to apply the capital improved valuation (CIV) to determine the level of rates payable. Some Councils have applied what they deem to be a more effective basis for rating by utilising the ‘in use’ valuation that has regard for the ‘benefit to the community’.

These ‘In use’ valuations have been adopted by a number of Councils who consider it to be a fairer and more equitable basis for determining valuation according to community benefit and reflects a valuation process that recognises the character of recreational land’s role within the community.

This methodology also enables minimal discrimination between public & residential zoning from a community benefit perspective. When the “in use” valuation as assessed by Councils contract valuer is multiplied by the current CRLA rate in the dollar the resulting charge becomes the “deemed” Cultural and Recreational Lands Rate.

7. Special Rates & Charges

Special rates and charges are covered under Section 163 of the Local Government Act, which enables Councils to declare a special rate or charge or a combination of both for the purposes of:

- Defraying any expenses; or
- Repaying with interest any advance made or debt incurred or loan raised by Councils

There are detailed procedural requirements that Councils need to follow to introduce a special rate or charge, including how Councils can apply funds derived from this source.

Section 185 of the Local Government Act provides appeal rights to VCAT in relation to the imposition of a special rate or charge. The Tribunal has wide powers, which could affect the viability of the special rate or charge. It can set the rate or charge completely, or set aside if it is satisfied that certain criteria are not met.

7.1 Municipal Charge

Another principle rating option available to Councils is the application of a municipal charge. Under Section 159 of the Local Government Act, council may declare a municipal charge to cover some of the administrative costs of the Council. The legislation is not definitive on what comprises administrative costs and does not require Councils to specify what is covered by the charge.

Currently a Council's total revenue from a municipal charge in a financial year must not exceed 20 per cent of the combined sum total of the Council's total revenue from the municipal charge and general rates.

The arguments in favour of a municipal charge are similar to waste charges. They apply equally to all properties and are based upon the recovery of a fixed cost of providing administrative services irrespective of valuation. The same contribution amount per assessment to cover a portion of Council's administrative costs can be seen as an equitable method of recovering these costs.

The argument against a municipal charge is that this charge is regressive in nature and would result in lower valued properties paying higher overall rates and charges than they would if it was removed. The equity objective in levying rates against property values is reduced by using a municipal charge as it is levied uniformly across all assessments.

This submission recommends that councils continue to apply a Municipal Charge.

8. Service Rates and Charges

Section 162 of the Local Government Act (1989) provides Council with the opportunity to raise service rates and charges for any of the following services:

- a) The provision of a water supply;
- b) The collection and disposal of refuse;
- c) The provision of sewerage services;
- d) Any other prescribed service.

Many Councils currently apply a Service Charge for the collection and disposal of refuse on properties that fall within the collection area.

The advantages of the garbage charge is that it is readily understood and accepted by rate payers as a fee for a direct service that they receive. It further provides equity in the rating system in that all residents who receive exactly the same service level all pay an equivalent amount.

The disadvantage of the garbage service charge is similar to the municipal charge in that it is regressive in nature. A fixed charge to a low valued property comprises a far greater proportion of the overall rates than it does to a more highly valued property.

It is recommended that Councils retain the existing waste service charge. Unlike a municipal charge, where the direct benefit to the resident is invisible. – the garbage charge is a tangible service that is provided directly to all in the same way.

8.1 Pensioner Concessions

It is recommended that holders of a Centrelink or Veteran Affairs Pensioner Concession card, or a Veteran Affairs Gold Card which stipulates War Widow or TPI (excluding Centrelink and DVA Health Care and other DVA cards) may claim a concession on their sole, principle place of residence.

In 2010 the Municipal Association of Victoria (MAV) undertook a statistical analysis of figures across Victoria that showed an average 2.25% of household expenditure was spent on Council rates. The study indicated that households occupied by aged pensioners are likely to have a higher rate burden. The study recommended that the MAV should call for an increase in the State Government pensioner concession.

It should be noted that if Councils were to introduce an additional Concession that it would be a direct expenditure item that would have a significant budgetary impact.

9. Rate Payment Options

9.1 Statutory payment Options

There are only two options available under the Local Government Act (1989) for Councils to set payment dates. The first is a mandatory instalment approach where payments are required at the end of September, November, February and May. Under this approach, ratepayers can elect to advance pay instalments at any point in order to opt out of the instalment dates. The second is an option of a lump sum payment (which by law is set on the 15 February of each year).

Under both payment options, if the due date for payment is missed, legislation allows Council to backdate the interest charge on each of the overdue instalment amounts from their original due dates.

9.2 Non-Statutory payment Options

To assist ratepayers spread the cost of rates over the year many Councils also offer a monthly payment option over a nine month period commencing October where ratepayers agree to pay by direct debit.

9.3 Offering of an early payment incentive

Many Councils currently offer a 2% discount where full payment is made by 31 August. Councils accrues a financial benefit when instalments are paid in August rather than paying across the financial year or in a lump sum in February, accordingly such an option is recommended to be retained.

10. Fire Services Property Levy

While the Fire Service Property Levy is not part of the rating system per se, Councils are responsible for the collection of the FSPL on behalf of the State Government.

Prior to the introduction of the Fire Services Property Levy, Victoria's fire services were funded by financial contributions from insurance companies, the State Government and metropolitan Councils. Insurance companies recovered the cost of their contributions by imposing a fire services levy on insurance premiums.

The Fire Services Property Levy Act 2012 (FSPLA) was developed to establish the legal framework for the new Fire Services Property Levy.

The FSPLA received Royal Assent on 16 October 2012, and imposed a levy on land in Victoria from 1 July 2013.

Councils were appointed as the collection agency for the State Government to collect the levy within their municipal district including leviable land owned by Council.

10.1 Property Subject to FSPL

All land is leviable under the FSPLA unless that land is:

- Commonwealth owned land;
- State Government owned land; or
- Public bodies.

10.2 Charges

The FSPL consists of two parts – a fixed charge and an ad valorem rate calculated on the Capital Improved Valuation. These are set each year by the State Government, and different charges may apply for different categories.

10.3 FSPL Collection

The FSPL is collected via the Valuation and Rates Notice each year, and Councils are required to remit all payments received on a quarterly basis.

10.4 FSPL Concession

All ratepayers who are eligible for a concession on Council Rates also receive a concession on their FSPL. This is currently set at \$50 and is at no cost to Council.

11. Recommendations

This selection outlines rating calculation methodology and the choice between the legislative defined rating options available under the Local Government Act (1989). This is a difficult one for all stakeholders to agree, considering various local Councils priorities and interests. The most important factors in view of all stakeholders competing interests is a system that is fair, equitable and enshrines a transparent, efficient and effective review mechanism to independently resolve requests for rating re-assessment.

Traditionally there have been two key platforms that have formed the basis of the current approach to rating within local Governments that appear fair and reasonable for continuation. They are:

- 11.1** That rates will continue to be based principally on an ad-valorem basis (i.e. based on the valuation of the various properties) with fixed charges (Waste collection) to be applied on a cost-recovery basis;
- 11.2** That Councils will continue to apply a Municipal Service Charge to cover some of the administrative costs to Council.
- 11.3** In the case of an inability to quantify the value of Services Provided that Councils allow a discount (notionally 50 - 80% of the rate in the dollar) on incorporated not-for-profit Community and Sporting Clubs and Cultural and Recreational properties.

That Councils apply a uniform rate for Residential property, Commercial and Industrial classes of properties. This would appear to be an equitable system with respect to the provision of local Government operating income.

Rating System Recommendations:

Rating System Element	Methodology - Recommendations
Determining which valuation base to use	That Councils continue to apply Capital Improved Valuation as the valuation methodology to levy rates.
Determining the Rating System - Uniform or Differential?	Councils continue to apply a uniform rate across each type or class of land.
Cultural and Recreational Lands Act (CRLA) and not-for profit sporting and Incorporated Community Clubs	Rating in accordance with 'services provided' methodology and where there is in inability to apply this that Councils allow a discount (notionally 80% of the rate in the dollar) on the Cultural and Recreational properties and not-for profit sporting and Incorporated Community Clubs.
Impact of LGA's Re-valuations	That Councils review the impact of re-valuations and assesses the rates applied to achieve an outcome that is considered equitable by the Victoria Auditor General's rating review framework.
Special Rates & Charges	That Community Clubs be exempt from Councils applying special rates and charges in instances that fit circumstances such as funding of specially defined projects (eg. Streetscape / infrastructure works, where there is necessity and community benefit can be shown to exist to a group of property owners.
Municipal Charge	That Councils continue to apply a Municipal Charge as part of its rating system.
Service Rates and Charges	That Councils continue to apply a Waste Service charge as part of its rating system based on full cost recovery of the waste and recycling function.

Rating System Recommendations (Cont) :

Rating System Element	Methodology - Recommendations
Rate Payment Date Options	<ol style="list-style-type: none"> 1. That Councils apply the lump sum payment method as well as allowing a rate payer to pay in 4 instalments. 2. That Councils offer a monthly direct debit instalment plan over 9 months for financial hardship cases. 3. That Councils apply a payment discount to rate payers who wish to make full payment by 31 August each year.
Rate Reviews	That the Victorian Auditor General Report to the Local Government Minister with respect to the Rating System every 3 years to ensure that the system is delivering fair, sustainable and equitable outcomes for the community.

12. References

- Comrie, J 2013, *In Our Hands: Strengthening Local Government Revenue for the 21st Century*, Australian Centre of Excellence for Local Government, University of Technology, Sydney.
- Department of Environment and Heritage 2012a, *Acquiring land for conservation reserves*. www.environment.nsw.gov.au/acquiriungland/index.htm
- Deloitte Access Economics, May 2013, Review of local government rating exemption provisions. <https://www.lgnsw.org.au/files/imce-uploads/127/deloitte-access-economics-review-of-local-government-rating-exemption-provisions-2013.pdf>
- *Cultural and Recreational Lands Act 1963 (Vic)*.
- *Local Government Act 1989 (Vic)*.
- *Fire Services Property Levy Act 2012 (Vic)*.
- *Cultural and Recreational Lands Bill*, Victorian Parliament, Hansard, 5 December 1963, 3065.
- KPMG, August 2016: *2015 National Clubs Census*, Clubs Australia.



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