



Our Ref: S Rumoro/CN

31 October 2019

The Department of Environment, Land, Water and Planning (DELWP)
PO Box 500
East Melbourne VIC 8002

Dear Sir/Madam,

I enclose Melton City Councils submission in response to Local Government Rating System Review Discussion Paper, for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to be 'S Rumoro'.

Sam Rumoro
Manager Finance



Submission to the Local Government Rating System Review Discussion Paper to the Local Government of Victoria Ministerial Panel

Submission by Melton City Council in response to the Local Government Rating System Review Discussion Paper

Introduction

Melton City Council has reviewed the contents of the discussion paper titled “Local Government Rating System Review” released July 2019 and provide the following comments.

Existing Council practice

Capital Improved Value (CIV) is used as the Valuation Base for Rating.

Differential rates

Council applies a differential rating system to raise general rates

Below shows the rate in the \$(dollar) value for each rating category and its differential based on the General Rate category for 19/20

Rating Category	Rate in the \$	Multiple of the General Rate
General Rate	0.0025968	1.0
Vacant Land	0.0038952	1.5
Commercial/Industrial Developed Land	0.0041549	1.6
Commercial/Industrial Vacant Land	0.0051936	2.0
Rural Living Land	0.0023371	0.9
Rural Land	0.0018697	0.72
Urban Growth Land	0.0019476	0.75
Retirement Village Land	0.0022073	0.85
Extractive Land	0.0074788	4 times of the Rural Land rate

Council believe each differential rate contributes to the equitable and efficient carrying out of council functions. The characteristics of each differential rate are set out below.

General Rate is any land which does not have the characteristics of:

1. Vacant Land;
2. Extractive Industry Land;
3. Commercial/Industrial Developed Land;
4. Commercial/Industrial Vacant Land;
5. Retirement Village Land;
6. Rural Living Land;
7. Rural Land; or
8. Urban Growth Land.



Vacant Land is any land:

1. on which no building with an approved occupancy permit is erected; and
2. located in a precinct structure plan, and with an approved planning permit for residential subdivision; and
3. which does not have the characteristics of:
 - 3.1 Commercial/Industrial Vacant Land;
 - 3.2 Rural Living Land;
 - 3.3 Rural Land; or
 - 3.4 Urban Growth Land.

Extractive Industry Land is any land which is:

1. used primarily for the extraction or removal of stone, including the treatment of stone; and
2. located within a Special Use Zone 1 under the Melton Planning Scheme.

Commercial/Industrial Developed land is any land which:

1. is used or adapted or designed to be used primarily for commercial or industrial purposes; or
2. does not have the characteristics of Extractive Industry Land.

Commercial/Industrial Vacant Land is any land:

1. on which no building with an approved occupancy permit is erected; and
2. which is located within:
 - 2.1 a Business 1 Zone;
 - 2.2 a Comprehensive Development Zone;
 - 2.3 a Mixed Use Zone;
 - 2.4 an Industrial Zone 1;
 - 2.5 an Industrial Zone 3;
 - 2.6 Special Use Zone 4;
 - 2.7 Special Use Zone 3;
 - 2.8 Special Use Zone 6;
 - 2.9 Special Use Zone 7; or
 - 2.10 Urban Growth Zone located in a precinct structure plan, and with an approved planning permit for commercial/industrial use.under the Melton Planning Scheme.

Retirement Village Land is any land which is located within a retirement village land under the Retirement Villages Act 1986.

Rural Living Land is any land which is:

1. two (2) or more hectares but less than ten (10) hectares in area; and
2. located within:
 - 2.1 a Green Wedge A Zone;
 - 2.2 a Green Wedge Zone;
 - 2.3 a Rural Conservation Zone;
 - 2.4 a Farming Zone; or
 - 2.5 Special Use Zone 5.under the Melton Planning Scheme.

Rural Land is any land which is:

A thriving community
where everyone belongs

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232 High Street
Melton VIC 3337

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PO Box 21
Melton VIC 3337

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cityofmelton



1. ten (10) hectares or more in area; and
2. located within:
 - 2.1 a Green Wedge A Zone;
 - 2.2 a Green Wedge Zone;
 - 2.3 a Rural Conservation Zone;
 - 2.4 a Farming Zone; or
 - 2.5 Special Use Zone 5.under the Melton Planning Scheme.

Urban Growth Land is any land which is:

1. two (2) or more hectares in area; and
2. located within an Urban Growth Zone under the Melton Planning Scheme in respect of which no precinct structure plan has been approved.

Municipal charge

Currently \$150 for 19/20 year which equates to 8% of the total revenue raised from the combination of municipal charge and general rates.

Rebates

Government pensioner rebate

Council also acts as the managing agent on behalf of the Department of Health & Human Services in relation to the municipal rates concession available to eligible pension card holders. Currently \$235.15 for 19/20 year.

Council pensioner rebate

Council provide an additional \$80 to eligible pension card holders on top of the amount provided by the Department of Health & Human Services.

Environmental enhancement rebate

Owners of a property larger than two hectares (approximately five acres), may be eligible to receive a rebate on their rates (capped at \$10,000) if they meet the requirements of the Environmental Enhancement Rate Rebate Policy. Land that has an approved Planning Permit for Subdivision is ineligible and the Rural Rate Rebate does not apply.

The policy includes controlling:

- noxious and environmental weeds
- pest animals, especially the European Rabbit
- soil erosion and other damaging processes

In the 19/20 rating year the following discount was applied to the rates:

- Rural Living – 25%
- Rural – 50%
- Urban Growth Zone with no Precinct Structure Plan - 25%
- Urban Growth Zone with an approved Precinct Structure Plan -25%

Service rates and charges

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Council declare a waste service charge for the provision of household waste collection, household recycling and green waste.

Waste services are not provided to commercial, industrial or vacant land. As a result these properties do not pay for this service.

Below is a summary of the waste service charges for the 19/20 financial year.

Waste Service Option	Unit Charge	Garbage Service	Recycle Service	Green Waste Service
A	\$352	120 litre bin	240 litre bin	240 litre bin
B	\$313	80 litre bin	240 litre bin	240 litre bin
C	\$301	120 litre bin	240 litre bin	120 litre bin
D	\$263	80 litre bin	240 litre bin	120 litre bin
E	\$250	120 litre bin	240 litre bin	
F	\$215	80 litre bin	240 litre bin	
Additional Bin	\$153			

Council declare Rates are payable by 4 instalments due 30 September, 30 November, 28 February, 31 May.

Rating strategy

Council undertook to establish a Rating Strategy Reference Group with an Independent Chair. The Reference Group was appointed to assist in developing a new Rating Strategy for consideration and adoption by Council in 2014/2015. The Reference Group was asked to consider any changes to the rating structure, special rates, charges, rebates or levies.

A Rating Strategy Reference Group Briefing Paper addressed the above matters and recommended a framework for Council to use in determining a fair and equitable rates distribution. Council received the Briefing Paper before releasing it for public comment and also considered the recommendations of the Reference Group and public comments in developing its Draft 2014/2015 Budget.

All rating options are reviewed annually as part of the budget process. No changes have been made since 2014/2015 budget

Council has identified 8 key issues that need to be addressed as part of this review

1. Rate capping compliance

- The introduction of rate capping has resulted in a loss of income for Council, due to supplementary valuations not being able to be processed after the draft budget has been prepared, and for Melton this is in March each year. An increase of assessments and valuations would change how the rate capping is calculated and differ to what was calculated at time of draft budget, this would generally result in more income for Council if it could use the most up to date details.
- Essential services commission reporting requires Council to report on budgets and actuals each year. This causes issues as the rate in the dollar is calculated generally in March using

proposed valuations and prior to some objections being completed. Once objections have been considered and valuations finalised, the final figure could be different to what was budgeted resulting in a change in the rate calculation and the potential for the overall calculation being non-compliant.

- Is CPI the best method to use for Rate Capping increments, given Council operating costs rise by a greater amount than CPI. For example Utility costs to service infrastructure increase at a greater amount than CPI.
- Rate capping amount being based on average rate is confusing for rate payers when they are expecting their personal bill to only go up by the rate cap, trying to explain the process is difficult for them to understand.

2. Annual Valuations

- The introduction of annual valuations has resulted in a loss of income for Council, due to supplementary valuations not being able to be processed after the draft budget, and for Melton this is in March each year. Valuers are required to rollover the year in order to finalise the valuations by the due date. Previously Council would only have stopped supplementary valuations every second year.

3. Rate exemptions

- Rates exemptions allow for some types of properties to be exempt from paying rates, a current exemption of Land used exclusively for charitable purposes lacks a clear definition and open to interpretation which could result in organisations being excluded E.g. Not for profit organisations. Consideration needs to be given to whether exemptions for charitable/religious purposes should be in place at all, if so this needs clear specific guidelines. Exemptions should only be granted if a charity is the owner of the property and not the tenant as the owner is receiving income from rent but placing the responsibility for payment of rates onto the tenant who then receives an exemption.

4. Pensioner rebate

- Council question whether the responsibility to provide a rate rebate should be on Council instead of the Department of Health & Human Services providing the rebate to ratepayers through pension payments. If pensioners owning a property were provided a flat annual fee this would take the onus from all Council's. Administering the pensioner rebate is a major task for Councils.

5. User pays system

- Council believes a user pays system won't work for the community. This would be an ever changing task to administer. To cover the full cost of the service, the fees would be too high and therefore people would not use the service, costing Council more money. Identifying what services people use would be too big of a task to ascertain.

6. Highest differential can't be more than 4 times the lowest

- This restriction is an issue due to the highest differential being the extractive rate, is not allowing the lowest differential being the rural rate to be decreased further. With valuations
-



increasing annually the rate in the dollar should be able to be adjusted accordingly without limitations.

7. Caravan Park status

- Some properties classified as caravan parks are considered to have removable dwellings and then exempt from paying individual rates. These properties are being leased out as dwellings and should contribute to paying rates the same as retirement villages.

8. Penalty interest

- Based on the fair go rates system should penalty interest be as high as it is when interest rate is low. Council believe the rate should be adjusted annually using logic based on the current economy e.g. 90 day bill rate x 3%

Council has identified 10 key recommendations to be considered as part of this review

1. Municipal Charge vs Minimum Rates

- Retain the municipal charge as it is a way to recover the administration costs that apply to Council from all property owners regardless of their valuation e.g. smaller valued properties such as electricity substations will contribute the same amount as a higher valued residential property. We believe this charge works well as every property pays the same amount and it is not reliant on valuations or differentials. Alternatively, Council would be interested to explore the option of minimum rates and simplify calculations that could be applied based on levels of valuation

2. Differential rates

- Retain differential rates as it gives Council the flexibility to ensure that an equitable rating structure is applied. They allow Council to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of its decision. Council do not receive complaints about the types of differentials used and believe they work well and are accepted by the community.

3. Rate capping compliance

- Reporting should allow for supplementary valuations and objections to be processed until 30 June.
- Essential services commission reporting should be based on budgeted calculations not actual figures.
- Consider greater increments than just CPI.
- Simplify rate capping to allow the ratepayer to be able to better understand.

4. Annual Valuations

- Return of final valuations should be in line with budgeting timeframes. VM online should be rolled over to the new year but still allow for current year supplementary valuations to be processed.



5. Rate exemptions

- Provide direction for not for profit organisations. Consider excluding charitable organisations/religious bodies from rate exemptions.

6. Pensioner rebate

- Pensioners owning a property be provided a flat annual reimbursement as part of their pension payment alleviating Councils of the administration.

7. User pays system

- Retain capital improved value as the deciding factor for amount of rates charged for each property.

8. Highest differential can't be more than 4 times the lowest

- Remove restriction of only allowing the highest rate to be 4 times the lowest rate.

9. Caravan Park status

- Separately rate removable dwellings being run as a retirement village.

10. Penalty interest

- Consider a review on interest on overdue rates and increased transparency on its calculation.

Consultation questions – local councils

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)?

On a yearly basis

- What policy criteria do you apply?

[View a copy of the lease to show the tenant is responsible for the rates, be a not for profit organisation, has a charitable purpose, notices being issued to the tenant.](#)

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

[Commercial - \\$12,026](#)

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?

[Please see above submission](#)

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

[Please see above submission](#)

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

[The municipal charge increases each year by the rate cap amount](#)

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

[Melton Council do not have any properties with a municipal charge exemption.](#)

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

[We will only issue rate notices to the occupier at the written advice from the owner.](#)

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

[Melton Council do not have special rates and charges.](#)

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

[Please see above submission](#)

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

Melton Council do not have 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)?

Four instalments only, smaller arrangements can be made but interest will apply past the four instalment due dates.

- Do you provide any incentives for payment of rates such as early payment?
No

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

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

Please see above submission

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

Council pensioner rebate – Budgeted \$569,000

Environmental enhancement rebate – Budgeted \$1,931,000

- How do you monitor and report on the community benefits?

Declared in Council budget

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

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

Yes, Financial Assistance (Rates & Charges). We currently have no properties on deferred rates.

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

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

Yes, Financial Assistance (Rates & Charges). Interest is waived, 18/19 value was \$3678.06 with an estimated \$3,000 not charged.

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

Yes

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

Sometimes there is confusion for people that have built units and not yet subdivided when they are rated separately. Also houses being turned into businesses can sometimes cause issues.

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

We have not encountered issues in this area.

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

This data is not available, Council is currently in partnership with a developer selling land so is rating properties Council are selling on a monthly basis.



- For each of these years, what was the total income for these occupancies?
[This data is not available](#)

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

[Yes, Financial Assistance \(Rates & Charges\)](#)

- 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 we charge 10 per cent](#)
- 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?
[Council send a reminder notice, the account is then handed over to our debt collector who will issue a demand letter, then call, sms or email ratepayer.](#)

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

[Yes, Financial Assistance \(Rates & Charges\)](#)

- Annually, over the past 5 years, how many times have you undertaken this process?
 - How many properties have you sold?
[1 which is currently being finalised](#)
 - How much has this cost, per instance?
[Estimated at \\$8,000](#)
- How many times have you claimed land instead of selling land?
[Nil](#)
- What issues have you encountered when selling or claiming land?
[Owner making contact and wanting to sell the property themselves, however has shown no interest in the property for over 3 years](#)

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?
[Verbal updates are provided for 90days](#)
 - Have you experienced any privacy issues in providing updates? If so, what were they?
[Certificates are only updated when certificate number is verified](#)

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

- How many occupancies in your municipality are categorised as cultural and recreational lands?
[Melton Council do not have any properties rated under Cultural and Recreational Lands Act.](#)

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

[Nil](#)



19. Other questions

- How many public inquiries on rates do you receive each year? What are some common themes of those inquiries?
This data is not currently available. Common themes are:
 - Why has their my rates increased
 - Why has their valuation increased when the market has gone down
 - Needing an arrangement
 - Needing an extension
 - Update on land information certificate
- What software do you use to administer your rating system?
Council uses [Civica - Authority](#)
 - What is the estimated annual hardware/software cost to maintain rates using this system?
We don't have separate costing for the rates module
- How many staff do you employ to administer rates and charges?
Currently we have [7.2 FTE](#)
 - What is the total FTE and costs for the rating and revenue function in your council?
Total staff cost is [\\$646,531 including oncost](#)