

AW:fc

16 October 2019



Dr Kathy Alexander
Chair – Ministerial Panel
Victorian Local Government Rating System Review

Online Submission

Dear Dr Alexander,

Re: Local Government Rating System Review

Campaspe Shire Council (Council) having considered the Discussion Paper and met with the Panel, provide the following points for consideration and input to the Local Government Rating System Review.

Firstly, Council supports the principles of efficiency, horizontal and vertical equity, simplicity and sustainability and believes these principles should underpin any future rating system that is developed for the raising of rates by local government in Victoria.

The raising and collection of rates for local government is a key pillar to the ongoing ability of councils to provide the necessary services to meet the needs and aspirations of the communities they have responsibility for. Council acknowledges that rates is not the only source of revenue, however with ongoing restrictions on grant funding opportunities and the escalating costs for the renewal and maintenance of the significant asset base that councils are responsible for there is a need for councils to have a secure and reliable revenue base from rates that is simple to administer consistently across all councils. Councils would also value a stronger position and narrative at the state wide level as to the role local government has in providing local infrastructure and services to meet community needs and that the raising of rates supports the ability to deliver these services and infrastructure.

In order to achieve the principles within the rating system, the system needs to strike a balance of fixed and variable components that allows the system the ability to meet the diverse community needs across the State of Victoria and recognises the differences between metropolitan, regional, large and small shire Councils.

Council recommends that a differential rating model using the capital improved value (CIV) system is the most efficient and equitable approach to striking rates. In order to create further simplicity, it is recommended that the classes of differentials are defined in the legislative instruments that may be used by Councils, however provide the flexibility for Councils to only use those classes that exist within their municipality. The following classes are suggested as a minimum within the rating model:

- Residential Land (general)
- Farm Land
- Commercial Land
- Industrial Land
- Vacant Land – Residential
- Vacant Land – Commercial/Industrial
- Cultural & Recreational Land

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Council also recognises that there is merit in further differentiating Farm Land and consideration should be given to the productive capacity of the land within the rating system and applied consistently across Victoria.

Council supports the need to be clear as to why differentials have been implemented and the links that these differentials have in achieving Council's strategic objectives. This could be achieved through the development of a Rating Strategy which is reviewed during each Council term.

Council believes that the current limitation within the legislation of the highest differential being no more than four (4) times the lowest differential restricts the ability to effectively recognise vertical equity (capacity to pay), particularly in rural shires with diverse land uses and the impacts of climatic conditions on the ability of this land to be productive. Therefore, Council recommends that the multiplying factor be increased to six (6) times the lowest differential.

Council supports the ongoing availability and use of a municipal charge or similar mechanism that creates horizontal equity, meaning that every property has a minimum contribution no matter what the land value is. This could be achieved either by capping the maximum proportion of rates allowable to be collected by Council, as per the current system capped at 20% or alternatively, introduce a flat statutory charge that is applicable to all rate payers across the state and that this be increased each year by CPI.

Council wishes to highlight that the current system has a number of inconsistencies and that in designing a new rating system, as far as practicably these inconsistencies should be removed. In the designing of any new legislative parameters in both the Local Government Act and Cultural and Recreational Land Act it is also imperative that the parameters are not open to any interpretation.

A key inconsistency is the treatment of residential properties that are used in connection with other land purposes for example, a residence in connection with a church and an unoccupied residence on crown land are non rateable, however a residence used in connection with a police station or an occupied residence on crown land are rateable. Council recommends that any future rating system has all residences, irrespective of their connection with other land and their occupancy, rateable.

When considering horizontal equity, land used for the purpose of the provision of early childhood and aged care are treated differently depending on the ownership of the land i.e. charitable provider compared with private company. Consideration should be given to the purpose of the land in the first instance and may warrant a subsequent differential class.

Council recognises the practicalities of having some land non rateable and that this should be linked to the purpose for which the land is being used. Council would also recommend that the determining of non rateable land should be done using legislative instruments other than defining them in the Act. This would allow for determining of non-rateable to be time bound and able to be reviewed periodically, rather than enshrined in the Act. Council the following land remaining non rateable in accordance with the existing provisions defined in the Local Government Act:

- Crown Land used exclusively for a public or municipal purpose
- Land used exclusively for charitable purposes
- Land held in trust and used exclusively as a club or memorial for persons who performed service or duty as defined in the Veterans Act 2005.

If land used for 'charitable purposes' is determined to remain non rateable, further guidance or definition is required as to what is considered 'charitable'. In highlighting this, a distinction should be made between use and ownership. Council believes that only land that is being used for charitable purposes should be non-rateable. As an example, land used for the purpose of the provision of aged care currently can be treated differently depending on the ownership of the land i.e. charitable provider compared with private company. If the provision of residential aged care is defined as a charitable use, then any land irrespective of ownership should be non rateable.

Council strongly supports the provisions to raise a service rate or service charge and that the funds raised through this service rate or charge be used for the purpose collected. With regard to an annual service charge for the collection and disposal of waste, given the current challenges with the management of waste across the country, the funds collected through this service charge should extend to the management, maintenance and upgrade of any waste infrastructure and the provision of programs to support community education and behaviour change in the management of waste within the municipality. Given the volatile nature of the waste sector, Council should also be allowed to set a charge that allows for a smooth increase each year rather than rate payers being exposed to fluctuating charges year on year. In order to achieve this, any funds collected through an annual service charge not used in the year in which they are collected should be held in a reserve for future years.

Council also supports the retention of the ability to declare a special rate or charge. While this is not used by Council on a regular basis, the ability to declare a special rate or charge particularly for the upgrade of future infrastructure is an option that should be available to both communities and Council to achieve a desired outcome.

Council would seek the reinstatement of the ability to claim rates for the previous 3 to 5 years, where non-rateable land is sold on commercial terms and becomes rateable. As previously stated, the design of any new rating system should remain simple and enable its administration to be applied consistently throughout Victoria, however Council also seeks to have the ability to manage the diverse needs of individual rate payers by retaining the concession rebate that currently exists and also the ability to defer or waive rates in exceptional circumstances.

Council takes all care in the administration of the raising of rates, however at times an error is made. In saying this, there is also an obligation on the rate payer to ensure that the rates charged are accurate and where there are concerns that these are raised with Council in a timely manner. As with the ability to raise an objection to a valuation, the ability to raise and seek reimbursement for an error should be restricted to a time period. Council recommends that this time period be set at a maximum of 3 years.

Thank you for the opportunity to provide you with input to your inquiry and if you have any questions on the content of this submission, please contact Fleur Cousins, General Manager Corporate Services at f.cousins@campaspe.vic.gov.au or on 5481 2200.

Yours sincerely

A handwritten signature in black ink that reads "A. Weston". The signature is written in a cursive style with a large initial "A".

Cr Adrian Weston
Mayor