



**MAV Submission to the
Victorian Local Government Rating System Review**

November 2019

1. Executive Summary

In response to the Parliament of Victoria's Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Council's the State Government agreed to undertake an Inquiry into the Victorian Local Government Rating System. Specifically, in the Terms of Reference (Refer Appendix 1) for the Ministerial Panel on the Victorian Local Government Rating System Review is advice that the State Government has agreed to undertake this inquiry to identify changes *"that will improve fairness and equity"*.

The Municipal Association of Victoria (MAV) supports the review to address provisions of the Victorian State Government legislative rating regime that are no longer viable due to changing social and economic conditions. While no system of taxation is perfect, the fairness and equity of the Victorian LGA (Local Government Authority) rating system must be improved.

The review should not create greater complexity in the LGA rating regime, rather it must deal with the outdated exemptions and the diseconomies of rural council. Rural council factors for consideration include relative populations, geographic size, assessment numbers and the disparity in LGA personal income level percentages required to pay LGA rates and charges. Combined these considerations detract from the rating system's capacity to deliver fairly and equitably.

Public rates discussions in metropolitan Melbourne and in larger council regions focuses almost exclusively on delivering value for money. In the rural LGAs it is argued that the current rating regime is regressive and cannot be addressed by changes to the legislative regime alone. The Victoria State Government, through its legislative and constitutional authority, controls are accountable for all LGAs, therefore it must intervene to deliver a fair and equitable system which bridges the' fiscal capacities and the asset management and service responsibilities of all LGAs.

In Victoria the 2017/18 LGA rates revenue of \$5.1 billion accounted for approximately 48% of total LGA revenue however these rates are not the only property tax property owners pay. A key issue is the increasing share of Victorian property taxes being taken by the State Government. Between 2010/11 and 2017/18 State property taxes increased by 114% whereas local government taxes on property increased by only 52%.

The MAV's submission focuses on changes that will enhance and improve the rating system's fairness and equity.

1. Exempt commercial activities, fees for service providers, private sector competing activities, or legally nuanced categories of exemption should be revoked and made rateable;
 - Solar/wind farms and electricity generators
 - Universities
 - Private schools
 - Religious property holdings used for commercial purposes or not held and occupied by the legal entity providing the religious instruction/faith-based services
 - RSL gaming/gaming venues on Crown land
 - Mining
 - Crown land used for commercial purposes

Subject to ratepayer and service provision fairness and equity considerations the additional income from rating the above categories of properties could reduce the burden on other ratepayers. (Refer Section 5)

2. Differential rating options should be retained.

At present, differential rating can only be used if Capital Improved Value (CIV) is used but the rationale for the current limited differential rate is not apparent and consideration could be given to removing the provision. The range of differential rate levies should be a matter for councils to consider in consultation with their communities when determining a fair and equitable spread of rates. (Refer Section 6)

3. The current Victorian rating regime's capacity to be understood and to deliver fairness and equity would be enhanced by;

- Simplifying rates notices
- Earlier valuations return date
- Penalty interest rate to reflect market rates of interest
- Minimum and maximum rates option
- Option for Tourism Levy for Declared Tourist Destination
- Residential Village Dwellings to be Rateable
- LGA Rating Strategies

(Refer Section 7)

The existing State required annual property revaluations, with their consequent annual re-distribution of the rate burden between property owners based on property market value movements, required by the State, are compounding the difficulties in the broader community understanding of rate capping. Property owners hear the words "rates are capped at 2.5%" but then become confused when they receive their rates notice and discover that their property's rates have gone up or down by a great deal more than the "rate cap." This is creating community confusion and misunderstanding, resulting in mistrust.

Victorian Local Government is at the receiving end of this community mis-trust.

To try and address this the State, as the legislative source of rate capping, needs to better communicate to all Victorian property owners a consistent and clear message on what rate capping is. At present there is no clear, consistent rate capping community communication across all Victorian LGAs.

4. Fairness and equity across LGAs cannot be achieved through the rating system. Urgent State Government action is required to address the regressive nature of smaller rural and regional LGA ratings. Rural and Regional LGA's could have their Rate Capping legislative obligations removed and still not achieve fiscal equity with their metropolitan counterparts as a result of their asset and service responsibilities. Their communities do not have the same financial capacity. For this reason, the State as the statutory source, authority and ultimately point of accountability for Victorian LGAs needs to intervene. Reviewing the road and bridge infrastructure responsibilities split between these LGAs and the State Government's Road Authority, Vic Roads, or the creation of a specific Small Rural/Regional LGA Funding Program is required.

The submission correlates the extent to which the fiscal capacity of all Victorian LGA communities is used based on each LGAs' total taxable personal income. While personal income may not fully

measure each LGA's community fiscal capacity, it is a useful and relevant indicator. This analysis reflects the findings of the Productivity Commission (Assessing Local Government Revenue Capacity, Productivity Commission April 2008) with metropolitan LGAs drawing lightly on their fiscal capacity while rural and regional LGAs draw more heavily on their communities' capacity. This analysis also makes a case that rate pegging is not an effective tool in managing individual community expectations in terms of service needs versus capacity to pay. (Refer Section 8)

5. To achieve State-wide consistency at face value it may appear reasonable to introduce a State-wide consistent Poll Tax Local Government Service Charge based on either;
 - A per capita basis, or
 - Per assessment basis, or
 - A State-wide consistent CIV rate in the dollar property charge.

These Poll Tax Options are not supported by the MAV as they would have a totally unacceptable community impact on the capacity of many Councils in terms of;

- Reduced financial capacity to provide existing services that meet local communities needs and expectations,
- Substantial increases in what Victorian property owners would have to pay compared to what they pay at present.
- Detracting from, and not adding to fairness and equity principles. At present most Victorians self-fund most Local Government services that they receive in terms of the percentage of total revenue derived from rates.

Fairness and equity has to be viewed from a perspective of objectivity and not self interest subjectivity which these Poll Tax options invite. They equate to another, more severe, version of unfairness and inequity. (Refer Section 9)

6. The use of CIV is accepted as an appropriate measure of capacity to pay and given that LGAs have the option of differential rating under CIV it is questionable why there continues to be a need for a Cultural and Recreational Land Rate. (Refer Section 10)
7. The rationale for the current Municipal Charge approach, including the 20% limit, is not apparent as the approach is not used in other jurisdictions. A common approach in other jurisdictions is to use a Base Charge or a Minimum Rate to reflect a benefit principle. This is where the distribution of benefits is not uniform, as those who benefit more should contribute more. Similarly, the rationale for being able to claim an exemption from the Municipal Charge for farmland (under s. 159 of the Local Government Act 1989) is also not apparent and does not appear to exist in other jurisdictions in relation to base charges. (Refer Section 10)
8. Under section 162 of the Local Government Act, LGAs may elect to fund their waste services through either general rates, or by declaring a separate charge. The vast majority of Victorian LGAs utilise a separate charge in accordance with this provision. With increasing cost pressures related to managing municipal waste and recycling services, LGAs face an escalating challenge to fund these services. A range of factors including China National Sword impacts, heightened

environment protection requirements, legacy landfill remediation costs and new laws such as the e-waste landfill ban mean LGAs have had to increase waste charges above CPI increases.

One of the key purposes of the State Government landfill levy and the Sustainability Fund is to support and strengthen Victoria's resource recovery system and to minimise the amount of waste

sent to landfill. As at 30 June 2019, the balance of the Sustainability Fund was around \$406 million. The Victorian government should be investing this money into resource recovery infrastructure, market development and community education to enable a shift to a circular economy. This should happen as a matter of priority.

2 Introduction

In response to the Parliament of Victoria's Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Council's the State Government agreed to undertake an Inquiry into the Victorian Local Government Rating System. Specifically, in the Terms of Reference (Refer Attachment 1) for the Ministerial Panel on the Victorian Local Government Rating System Review is advice that the State Government has agreed to undertake this inquiry to identify changes *"that will improve fairness and equity"*.

The MAV supports this Review as a long overdue opportunity to address current provisions of the State Government legislative rating regime that had their origin and justification in a bygone social and economic context that is no longer applicable.

This submission to the Ministerial Panel on the Victorian Local Government Rating System Review has been prepared by the Municipal Association of Victoria (MAV) in consultation with Victorian LGAs.

The submission includes consideration of:

- Current LGA rating in the context of principles of taxation policy including equity, capacity to pay, simplicity, efficiency, sustainability;
- The revenue raising capacity of LGAs in Victoria and the importance of rates and charges to LGAs across the State;
- Current Local Government Act rating exemptions;
- Enhancements to improve Victorian LGA rating fairness and equity;
- Today's environment of substantive LGA people and public good focus services and responsibilities in addition to historically property focused LGA services;
- Why Poll Tax options are not a solution;
- Relevant findings from other rating and revenue reviews in similar Local Government jurisdictions; and
- Current application of rates and charges by LGAs in Victoria, including use of differential rates, the autonomy of individual councils to apply the rating system in accordance with their own decision-making circumstances and the flexibility or constraints imposed in the context of different communities, land use, incomes and consequent LGA revenue raising capacity;

This submission makes use of Australian Bureau of Statistics data and where used the data source is referenced. It also makes use of the 2017/18 Victorian Grants Commission LGA consolidated returns for a number of financial models utilised in this submission. Appendix 2 reproduces this Grants Commission data by LGA.

3 Rating Principles

This section briefly discusses commonly accepted principles for taxation in the context of local government rating.

3.1 Efficiency

- Does the rating methodology significantly distort property ownership and development decisions in a way that results in significant efficiency costs?

It is generally accepted that property taxes are an efficient tax. While the use of Capital Improved Values (CIV) can have implications for those that invest in their property, rates are unlikely to influence decisions on capital improvements.

3.2 Equity

- Does the tax burden fall appropriately across different classes of ratepayers?
- Capacity to pay: are those ratepayers with greater economic capacity in fact contributing more?
- Benefit principle: where the distribution of benefits is not uniform, should those who benefit more contribute more?

The balancing of the benefit principle with capacity to pay is a key challenge for any rating system. Use of property values is seen as having a correlation with capacity to pay although there are issues for those described as "asset rich but income poor". The use of differential rates has been seen as one way of ensuring consideration of the benefit principle. But ensuring those who benefit more contribute more is constrained under the current legislative rating regime and increasingly so in today's era of LGA people and public good focused services and responsibilities as opposed to historically property focused LGA services.

3.3 Simplicity

- Is the system practical and cost-effective to administer and enforce?
- Is the system simple to understand, difficult to avoid payment and does it have low costs of compliance and enforcement?

The ownership of property is relatively easy to determine, as is its value. Property rates are therefore difficult to avoid and generally have low compliance costs.

3.4 Sustainability

- Does the system generate sustainable, reliable revenues for LGAs and is it durable and flexible in changing conditions (i.e. can it adequately withstand volatility) and does it grow over time to support future needs?

LGA rate revenue from property tax is relatively stable but is controlled and regulated by the State Government through the Rate Cap provisions under Part 8A of the Local Government Act 1989. For small Rural/Regional LGAs though even if there was no Rate Capping the existing mismatch between their fiscal responsibilities and their communities' fiscal capacity would still loom large.

3.5 Autonomy

- Does the system provide flexibility and autonomy for LGAs in meeting the needs of their particular community?

The Henry Review¹ (Australia's Future Tax System Review, Australian Government, 2010, Recommendation 120) recommended that *"States should allow local governments a substantial degree of autonomy to set the tax rate applicable to property within their municipality."*

This submission in part argues that existing exemptions and legislative rating provisions detract from this Henry Review proposed autonomy.

Autonomy at an LGA level of Government, arguable more so than at any other level of Australian Government, is then balanced by a relatively very high level of local community access to its elected representatives enhanced by LGA administrations being locally based. All of which adds to LGA local decision making, which is transparent, accountable and community responsive.

4 Overview of Council Revenue Raising

4.1 General Rate Revenue by State

Table 4.1.1 (Source: ABS Cat. 5512.0, 5506.0 and 5220.0,3101.0) provides an overview of general rate revenue of Local Government across the six State jurisdictions in 2017/18. On a per capita basis, NSW has the lowest rates as a result of long-term rate capping in that State. Western Australia and South Australia have the highest general rates per capita. Victoria and Queensland have similar levels of rates per capita at around \$800.

When measured relative to Gross State Product (GSP), South Australia has the highest level at 1.46% of GSP while NSW has the lowest (again as a result of rate capping). Victoria and Queensland have a similar level of rates as a percentage of GSP at around 1.2%.

¹ Australia's Future Tax System Review, Australian Government, 2010, Recommendation 120

Table 4.1.1: Local Government General Rates by State, 2017/18

State	LG Rates \$m	GSP \$m	LG Rates as % GSP	Population 000's	LG Rates/capita
NSW	\$4,531	\$593,275	0.76%	7,987.3	\$567.3
Vic	\$5,189	\$423,961	1.22%	6,459.8	\$803.3
Qld	\$3,966	\$339,504	1.17%	5,012.2	\$791.3
SA	\$1,550	\$106,004	1.46%	1,736.4	\$892.7
WA	\$2,353	\$255,883	0.92%	2,595.9	\$906.4
Tas	\$401	\$30,266	1.32%	528.1	\$759.3
Total	\$17,990	\$1,748,893	1.03%	24,319.7	\$739.7

Source: ABS Cats. 5512.0, 5506.0 and 5220.0, 3101.0

When the growth in recent years of Local Government and State Government Tax Revenue in Victoria as a share of GSP are compared, Local Government rates to GSP increased by 19% between 2011/12 and 2017/18 while State Taxation to GSP increased by 28% as shown by **Table 4.1.2** (Source: ABS Cats. 5512.0, 5506.0 and 5220.0)

Table 4.1.2: Victoria State and Local Government Tax Revenue as share of GSP

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Change 11/12 to 17/18
LG Rates as % GSP	1.02%	1.08%	1.13%	1.17%	1.21%	1.21%	1.22%	19%
All State Tax Revenue as % GSP	4.24%	4.33%	4.60%	4.84%	5.09%	5.27%	5.45%	28%

Source: ABS Cats. 5512.0, 5506.0 and 5220.0

4.2 Recent Trends in Local Government Revenue

Table 4.2.1 (Source: ABS Cat. 5112.0 Government Finance Statistics) provides details of the trends in LGA revenue in Victoria by source. The table shows that LGA rates increased by 52% in current terms between 2010/11 and 2017/18 while overall Total revenue from all sources required to fund services increased by 42%.

The lower growth in current grants and subsidies was in part driven by the Federal Government freezing indexation of Financial Assistance Grants over a three year period; 2014/15 to 2016/17. A freeze that reduced the financial capacity of Victorian LGAs.

Table 4.2.1: Local Government Victoria General Revenue Trends

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Change 10/11 to 17/18
	\$m								
Taxation revenue	3,416	3,656	3,890	4,162	4,468	4,746	4,967	5,189	52%
Current grants and subsidies	801	967	931	638	1,103	597	1,193	1,110	39%
Sales of goods and services	1,351	1,475	1,570	1,610	1,686	1,806	1,882	1,924	42%
Interest income	129	127	102	88	88	92	94	108	-16%
Capital Grants	248	291	243	139	85	207	166	167	-33%
Other revenue	1,698	1,818	1,744	1,540	1,884	2,149	2,290	2,350	38%
Total GFS revenue	7,642	8,334	8,481	8,177	9,314	9,596	10,591	10,847	42%

Source: ABS Cat. 5112.0 Government Finance Statistics

Table 4.2.2 (Source: ABS Cat. 5112.0 Government Finance Statistics) below which details the share of revenue by source for Local Government in Victoria compared to all Local Government in Australia highlights the high dependence on rate revenue by Local Government in Australia. Particularly in Victoria, where around 48%

of LGA revenue is from rates. (With Charges included this percentage increases to approximately 54% of total LGA revenue in 2017/18.)

Table 4.2.2: Local Government Share of Revenue by Source

	% Share by Rev; Source for Victoria 2017/18	% Share by Rev; Source for Australia 2017/18
Property Taxation revenue	47.8%	38.7%
Current grants and subsidies	10.2%	9.6%
Sales of goods and services	17.7%	27.0%
Interest income	1.0%	1.7%
Capital Grants	1.5%	4.1%
Other revenue	21.7%	18.9%
Total GFS revenue	100.0%	100.0%

Source: ABS Cat. 5112.0 Government Finance Statistics

This State Government review of the LGA general rating system in Victoria can reduce the current share of the rate burden met by existing rate payers by addressing outdated exemptions that would promote improved fairness and equity while also enhancing ongoing financial sustainability of individual LGAs. But the Victorian LGA rating system from a fairness and equity perspective when LGA Personal Income levels



are taken into consideration cannot alone achieve fairness and equity in the standard of LGAs services to all Victorian communities. This proposition is expanded on later in this submission.

In contrast overseas in Europe, for example, the major component of local government revenue is from a share of income tax and other central government taxation. For example, in Denmark and Germany only around 8% of revenue is from property tax.

In Denmark, around 70% of municipal revenue is from a share of income tax. In Germany, local government receives 15% of national personal income tax and 2.2% of VAT plus a share of business taxes.

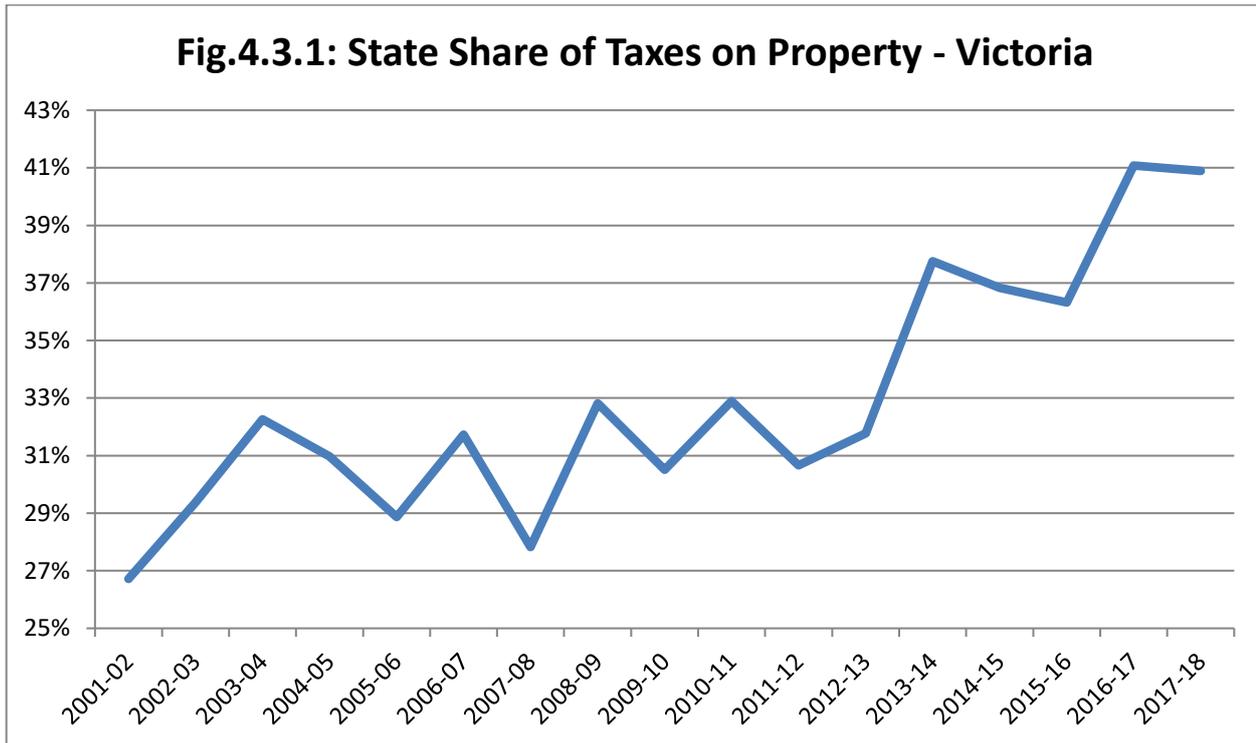
In the USA, in addition to property tax (i.e. similar to local rates), sales tax and/or real estate transfer tax (i.e. similar to stamp duty) are commonly used mechanisms of local government revenue raising, often with specific increases earmarked for particular local matters. For example, real estate transfer taxes can be used for specific purposes such as affordable housing and open space development.

4.3 Competition to LGA Property Rate Base

A key issue is the increasing cost to Victorian property owners due to the increasing share of Victorian property taxes being taken by the Victorian Government.

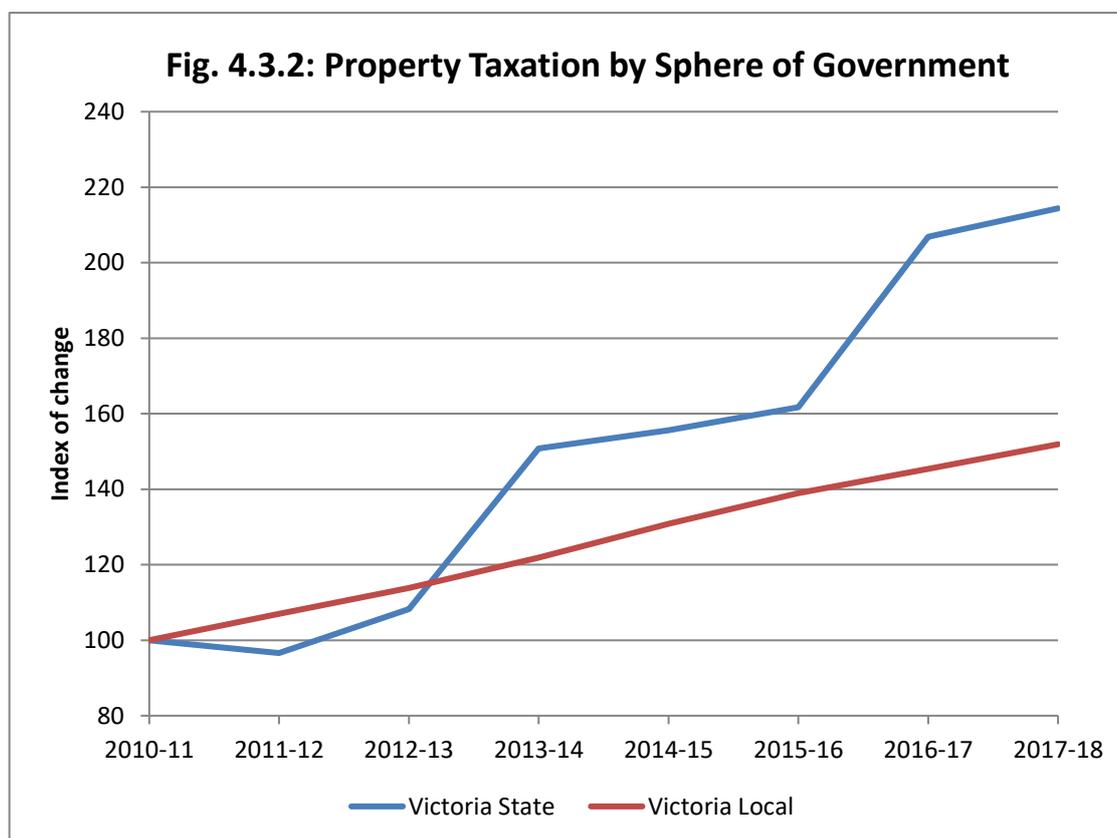
Figure 4.3.1 (Source ABS Cat. 5506.0. Taxation Revenue Australia) illustrates the share of State and Local Government taxes on property taken by the State Government in Victoria. In 2001/02, the State collected just under 27% of property taxation whereas by 2017/18 this had grown to 41%.

The growth of State property tax revenue since 2015/16 (when local government rate pegging commenced) has been substantial, increasing by 33% against local government rates increasing by only 9% (zero in real terms per capita).



Source: ABS Cat. 5506.0. Taxation Revenue Australia

Figure 4.3.2 (Source: ABS Cat. 5506.0. Taxation Revenue Australia) illustrates the increase in State property taxation relative to that of local government between 2010/11 and 2017/18. State property taxes in Victoria increased by 114% over this period whereas local government taxes on property increased by only 52%.



Source: ABS Cat. 5506.0. Taxation Revenue Australia

5 Exemptions No Longer Justified

Property rating has its origins in 16th Century Elizabethan England predating income taxation. In Victoria property rating has been used to fund Councils and former District Roads Boards from the mid-19th Century on and today as stated in the Ministerial Panel’s Terms of Reference, rates and charges “underpin the funding of Local Government and its important services and infrastructure in Victoria.” In 2017/18 LGA rates and charges totalled \$5.7 billion and represented the most significant and largest source of revenue for Victorian LGAs.

In the following centuries it has served as a good proxy to income and wealth. But in today’s economic environment while still relevant wealth and income, hence capacity to pay, is clearly determined by and derived from far more than land holdings and built improvements e.g. the service and knowledge sectors of a modern economy.

In today's social and economic context, the current extent of rate exemptions and consequent local community subsidisation, is not fair or equitable. The 2008 Productivity Commission report² (Assessing Local Government Revenue Capacity, Productivity Commission April 2008, p.107) noted that rates exemptions reduce local governments' rates bases and do so differentially across Local Governments.

All land in Victoria is considered rateable except where it is specified as exempt in the Local Government Act 1989. The current exemptions include;

- State and Commonwealth land (Crown Land) where it is either occupied or it is used exclusively for public or municipal purposes,
- Crown Land leased to a rail transport operator,
- Land used exclusively for a charitable purpose,
- Land used as a residence of Ministers of religion,
- Mines, and
- Returned Services League Clubs.

The origin of these exemptions was set in a different social and economic context compared to today. Today, in many instances current exemptions are the basis of inconsistencies between like market activities and unjustifiable subsidies from residents of the hosting LGA to private beneficiaries and private consumers throughout Victoria and Australia and in some cases internationally. These rate exempt, locally subsidised facilities, are no longer just serving the local community as they did in previous centuries. Today these facilities compete in and supply to State-wide, national and even international markets.

Specifically, the following exempt commercial activities, fees for service providers, private sector competing activities, or legally nuanced categories of exemption should be revoked and made rateable;

- Solar/Wind Farms and Electricity Generators
- Universities
- Private Schools
- Religious Property Holdings used for commercial purposes or not held and occupied by the legal entity providing the religious instruction/faith-based services
- RSL Gaming/Gaming venues on Crown land
- Mining
- Crown Land used for commercial purposes

The additional income from rating the above categories of properties could then be used to improve fairness and equity by reducing the rate burden on existing rate payers. In the City of Melbourne 12% of its rates base is currently exempt under these provisions.

5.1 Solar/Wind Farms and Electricity Generators

Under Section 94(6A) of the Electricity Act 2000 a payment in lieu of rates (PiLoR) provision operates. This provision provides a methodology for estimating rates payments and applies to all coal, gas, hydro and wind generators. In addition, solar has been added as a defined energy source. The methodology combines

² Assessing Local Government Revenue Capacity, Productivity Commission April 2008, p.107

a fixed charge with a variable charge based on the capacity of the power station in megawatts. The fixed charge in 2018/19 is \$54,400 and the variable charge is \$1225 per megawatt.

There is also a defined methodology for community and commercial solar and wind generators. A threshold of 25 MW has been set for these types of generators. The community owned portion must be at least 20% which equates to the commercial portion being up to 80% of these solar and wind generators.

Why though should the community rate payers of the host LGA subsidise the commercial return for owners/investors located elsewhere in Australia and overseas who sell their electricity, a private good for the private benefit of the individual consumer, into a commercial market for consumption outside the boundaries of the LGA where the facility is located. Following are three case Studies of the operation of this exemption and its impact on revenue foregone to the Swan Hill Rural City Council, Moira Shire Towong Shire but not to the State Government under the Fire Services Levy.

Case Study

Swan Hill Rural City Council currently has three commercial Solar Farms operating within the Municipality. These Solar Farms are classified as Electricity Generating Units and therefore can make a Payment In Lieu of Rates (PiLOR) calculated as the combination of a fixed charge per facility, plus a variable charge per Megawatt Hour of energy generated each year.

The revenue received by Swan Hill Council under the PiLOR system is not considered as rate revenue and it is not included in the Rate Cap calculation. Properties that are the subject of a PiLOR are still subject to any other property based taxes or charges such as Fire Services Property Levy (FSPL).

The FSPL is calculated based on a small fixed charge plus a variable charge based on the Capital Improved Value (CIV) of each property. Funds received by Council from the FSPL are paid to the State Government in full. Council has no role in setting the levels of the FSPL.

In total, for the three Solar Farms currently operating with this Municipality, the effect of the operation of this legislation is to reduce the annual rates charged to the properties from \$1,743,768 based on the Swan Hill 2019/20 Rate in the Dollar of 0.00580196 to an estimated annual PiLOR of \$284,280 which is equivalent to a Rate In The Dollar of 0.00094587. The revenue collected by Swan Hill is less than the estimated FSPL payable to the State Government for the three properties of \$287,100. Some of the Solar Farm operators are currently seeking a review of the CIV assigned to their properties.

If however these solar/wind electricity facilities were located on land owned by an entity other than the facility operator e.g a farmer rates would be payable.

In 2017/18 on average;

- rates per Swan Hill LGA assessment were \$2,233 versus a State average per assessment of \$1904. (Refer Table 9.3)
- Rates per capita in the Swan Hill LGA were \$1286 versus a State average rates per capita of \$883. (Refer Table 9.2)

As detailed in Table 8.1 below in the order of 4.9% of the Swan Hill LGA's community total personal income is required to meet its rate and charges costs. This is more than twice the percentage of personal income required in metropolitan Melbourne of approximately 2%.

Case Study

Victoria's Largest Solar Farm is located near Numurkah in the Moira Shire. The Capital Improved Value (CIV) of this land and facility is \$167,830,000. Its Site Value (SV) is \$2,000,000.

The rates and charges on this Solar Farm under the Electricity Act 2000 Section 94(6A) are as follows;

Base Rate (Fixed charge)	\$55,277	
Charge per Megawatt @\$1,243.73	<u>\$124,373</u>	
Total Rates	\$179,650	
FSPL Industrial Fixed Charge	\$226	
FSPL Industrial Levy	<u>\$159,942</u>	
Total Rates and FSPL Charges	\$339,818	\$339,818

If rates were paid in accordance with the Solar Farm's CIV Moira Shire would receive \$587,405. This additional \$407,755 could be used to reduce the rate burden on existing rate payers.

In 2017/18 on average;

- rates per Moira LGA assessment were \$2,021 versus a State average per assessment of \$1904. (Refer Table 9.3)
- Rates per capita in the Moira LGA were \$1186 versus a State average rates per capita of \$883. (Refer Table 9.2)

And as detailed in Table 8.1 below in the order of 5% of the Moira LGA's community total personal income is required to meet its rate and charges costs. This is two and a half times the percentage of personal income required in metropolitan Melbourne of approximately 2%.

Case Study

AGL Hydro owns two facilities in the Towong Shire for which the Shire will receive \$51,176.48 in rates revenue in 2019/20. Set out below is the rate revenue impact on the Shires' other rate payers under the Electricity Act 2000 legislative provisions regarding LGA rates.

The total CIV for the two properties AGL Hydro own is \$190,278,000. If Towong Shire applied its 2019/20 business rate of 0.3947%, the rates payable would be \$751,027.26.

In effect the other Towong ratepayers are providing an annual subsidy to international investors and other Australians of \$700K in 2019/20. Equal to approximately 11% of the Shire's 2019/20 rates revenue.

AGL Hydro will pay more in their 2019/20 Fire Services Levy of \$170,000 on the two properties than they will in rates.

AGL Hydro - Rates in Lieu Calculator					
Year End	Actual				
June 30	Base Rate	CPI	Base MW	Current MW	Charged
2018	\$44,577.03	2.21%	150	162.2	\$ 49,267.91
2019	\$45,562.18	2.52%	150	162.2	\$ 50,510.70
2020	\$46,711.50	1.32%	150	162.2	\$ 51,176.48

In 2017/18 on average;

- rates per Towong LGA assessment were \$1871 versus a State average per assessment of \$1904. (Refer Table 9.3)
- Rates per capita in the Towong LGA were \$1378 versus a State average rates per capita of \$883. (Refer Table 9.2)

5.2 Private Schools and Universities

Private Schools and Universities have a long-standing exemption from paying LGA rates and while this once could have been justified given how Private Schools and Universities have evolved over time to the commercial institutions, they are today, this rate exemption cannot be justified on fairness and equity grounds.

Universities charge fees for attendance and receive Government financial grants for Australian students while international students are full fee paying. The result being that education sector is one of largest components of the Victorian economy. Universities are also host to a range of commercial leases/activities on their campuses. The students from the hosting LGA rating paying homes who attend these Universities though are in a minority. However, all the hosting LGA ratepayers provide a financial subsidy to the University's international, national and students coming from outside the LGA. These ratepayers, residential and commercial, also subsidise the commercial activities on these campuses.

Private schools similarly have students attending them that also come from homes outside the hosting LGA and many private schools charge significant fees and lease out their facilities for hire or to commercial operators e.g. swim schools. These private schools like Universities are subsidised by the hosting LGA community rate payers. This subsidy takes the form of being exempt from paying rates and funding costs imposed on the hosting LGA through traffic and carparking works and school crossing supervision on surrounding roads and use of public open spaces and sportsgrounds maintained by the hosting LGA. This is not fair. This is not equitable.

Private schools and Universities need to have revenue exceeding expenditure i.e. make a profit or they will financially fail.

Case Study

In Boroondara there are 69 rates exempt Private School properties owned by 30 private schools. These properties have a Capital improved value (CIV) of \$969,430,000. Using Boroondara's 2019-20 uniform rate in the dollar these properties are exempted an amount of \$1,361,236 each year in general rates which is the equivalent of 0.94% of residential rates.

There are 7 exempt properties owned by Universities in Boroondara with a CIV of \$204,755,000. Using Boroondara's 2019-20 uniform rate in the dollar these properties are exempted an amount of \$287,509 each year in general rates which is the equivalent of 0.20% of residential rates.

5.3 Mining Land

The rationale for mining land being exempt from rates while quarrying is not, is not apparent. In other Local Government jurisdictions, mining land is rateable. While the Exposure Draft of the Local Government Bill dropped this exemption, it is not part of the Local Government Bill 2019 as changes to rating will only be made after this Rating System Review. It is the MAV view that this exemption is not fair or equitable. Mining like quarrying is a commercial activity.

5.4 Religious and Charitable Land

The Age reported on September 8 (Reported on-line By Ashleigh McMillan and Chris Vedelago 8 September 3.16 PM) that an investigation by the Age in 2018 found that the Catholic Church in Victoria held assets worth more than \$9 billion (with an extrapolated figure of \$30 billion worth of property across Australia).

When the land and property is used by the Religious body for the purpose of charity works and religious instruction/faith services and the land and property is held in the name of the legal entity providing these charity works and religious instruction/faith services there is an argument for rates exemption. However, the exemption should be based on ownership and exclusive occupancy for an exempt purpose.

Further Section 154 (2)(c) of the Local Government Act - charitable purpose should be reviewed. At present this Section poses a risk of inconsistent interpretation of charitable purpose when determining non-rateable land. The reason being that the current Act does not define the meaning of charity. Charitable purpose should be defined under State legislation.

For Victorian LGAs the meaning of charitable is currently guided by having regard to the following:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; and
- Other purposes beneficial to the community.

The relief of poverty, advancement of public education and the advancement of religion are assessable. But "Other purposes beneficial to the community" is open to inconsistency between LGAs and within

individual LGAs. Use of this category would require specified criteria against which applicants could be consistently accessed.

Religious and Charitable land and buildings improvements when they are used for activities that have private or commercial competitors/alternatives such as retirement villages should also not be rate exempt. There is no broad-based community justification for these commercial entities being subsidised by the hosting LGA ratepayers when other alternate commercial providers are not subsidised.

Commercial activities such as retirement villages also service a much wider region than the host LGA rate payers who in effect subsidise these non-residents. Further these host LGA rate payers comprise community members not of the religious denomination or of no religious denomination at all. From a fairness and equity perspective the host LGA local council should not carry the burden of lost rate revenue.

5.5 RSL Gaming/Gaming Venues on Crown Land

Many RSL Gaming venues and Gaming venues on Crown Land compete with local businesses e.g. hotels, cafes and restaurants but these Gaming venues are exempt from rates.

It is difficult, if not impossible to argue how gambling and the social cost inflicted by this activity to the most vulnerable members of the community justifies this rate exemption. Gaming venues operated by the RSL or other Service clubs, or Gaming venues on Crown Land should not be exempt from LGA rates.

5.6 Crown Land Used for Commercial Purposes

Crown land used for public parks, water catchments and other public benefits are justifiably exempt from LGA rates. But Crown Land used for income producing activities which are exempt from rates e.g. timber reserves, port land are justifiably rateable. Commercial activities on these exempt lands do impose costs on the host LGA e.g. road and bridge maintenance and renewal.

Case Study

Subject – Wonthaggi Desalination Plant – Aquasure Pty Ltd

Background

In the early 2000's the State Government, following an extended drought period, decided to build a desalination plant as a key Water Security measure. The State selected a site adjacent to the Wonthaggi township in the Bass Coast Local Government area.

Rateability of the Desalination Plant

Bass Coast Council sought legal advice in 2009 on the rateability of the desalination plant. The advice considered the fact that the plant would be located on public (possibly Crown) land. The advisers were clear that this advice was tentative in nature given the ownership of the land and associated infrastructure including occupancy arrangements had not been finalised.

The tentative conclusion was that ‘there are good arguments as to why, if the land is occupied by the consortium and the latter pursues a commercial purpose, the land will not qualify under section 154 (2) (b) of the LGA with the result that it will be rateable land’.

It was also noted that no legislation that is specific to the production of water presently provides for land of this kind to be rate-exempt and it remains open to the Victorian Parliament to enact special legislation, addressing the issue of rateability.

Correspondence from the Department of Sustainability and Environment in 2010 indicated that this land was non-rateable based on specialist legal advice they had obtained. Council referred this to its legal advisers who while maintaining that their initial advice was arguable, proposed a negotiated outcome given the significant costs of a legal proceeding and the risks of it failing. Subsequent advice in 2013 indicated a shift in the balance of probabilities to the land being non-rateable on the basis of the exemption afforded by Section 154 (2) (b) of the LGA – ‘a public statutory body is through the agency of a private lease, using the land exclusively for public purposes’.

Financial Impact of Desalination Plant being Exempted for Rating Purposes

The desalination plant was valued by Council at a Capital Improved Value (CIV) of \$2.88 billion in 2012/13. This value remained stable until 2017/18 when the CIV was reduced to \$2.54 billion and in 2019/20 when it was reduced further to \$2.48 billion. The non-rateability of this major for profit commercial and privately-owned facility has been at a significant cost to Bass Coast ratepayers since it commenced operations in 2012 as illustrated in Table 1 below.

Table 5.6.1 – Financial Impact of Exempting The Victorian Desalination Plant From Rates

<i>Rating Year</i>	<i>Rate In Dollar</i>	<i>Valuation (CIV)</i>	<i>Rates Foregone</i>	<i>Bass Coast Rates & Charges</i>
2012/13	0.0029258	\$2,880,000,000	\$8,426,304	\$40,384,000
2013/14	0.0031657	\$2,880,000,000	\$9,117,216	\$43,301,000
	0.0034407	\$2,880,000,000	\$9,909,216	\$46,126,000
2014/15	0.0037237		\$10,724,256	
	0.0037639	\$2,880,000,000	\$10,840,032	\$50,090,000
2015/16	0.0038392		\$9,751,568	
	0.0034504	\$2,880,000,000	\$8,764,016	\$52,332,000
2016/17	0.0031170	\$2,540,000,000	\$7,730,160	\$55,323,000
2017/18			\$75,264,768	
		\$2,540,000,000		\$58,582,000
2018/19				
		\$2,480,000,000		\$60,616,000
2019/20				
				\$406,754,000
TOTAL				

The cumulative impact on Bass Coast's rate revenue as a result of the desalination plant being non-rateable is \$75.26 million or 18.5 per cent of the total rate revenue raised from the ratepayers over the 8 years ending June 2020.

Conclusion

This case which while extreme in nature reflects the real rates subsidy imposed on Bass Coast ratepayers by the rate exemption afforded to Crown land for a private lease to a commercial organisation.

6.Retention/Enhancements of Differential Rating to Enhance Fairness & Equity

It is desirable for Councils to have flexibility in establishing differential categories and to reflect their local communities' unique community makeups.

Current Ministerial Guidelines do assist LGAs in establishing appropriate differential rate categories. The Guidelines identify types and classes of land categories and their combination that are considered appropriate for differential rates, as well as those not considered appropriate along with others that should be carefully considered. The Guidelines also imply that it is not appropriate to differentiate when only relatively few properties would be in the category.

To some extent, this has resulted in most LGAs using the categories regarded as appropriate by the Ministerial Guidelines. Very few LGAs have more than seven differential categories, mirroring those described as appropriate in the Ministerial Guidelines.

In contrast, it is relatively common in Queensland for LGAs to have more than 20 differential categories, with one LGA having more than 250 categories. This greater level of differentiation is in part required because of the use of land value as the basis for rating. Queensland also allows the use of minimum rates.

The Guidelines also require that Victorian LGAs must give consideration to reducing the rate burden through use of a reduced differential rate for uses such as Farmland and Retirement Villages. In practice, the Farmland rate differential varies significantly across councils of a similar nature. This is considered appropriate as it allows each LGA to reflect local situations e.g. the Shire of Wellington is currently experiencing one of its worst ever droughts, but this drought is not affecting all Victorian farmland.

There is very little published data to show how the burden of rates by broad category compares with other jurisdictions, particularly by LGA type. Table 6.1 presents a comparison with South Australia and Western Australia using Local Government Grants Commission data and NSW using Office of Local Government data (which is available on an individual council basis).

Across Victoria, the rates on rural land represent around 1.9% of gross value of rural production (GVRP) as shown by Table 6.1. This is very similar to the level of rural rating relative to GVRP across the jurisdictions shown in the table.

The table shows that Victoria derives a greater proportion of rate revenue from residential properties with less from commercial/industrial and rural uses. However, within individual Rural Victorian LGAs this is not the case. These rural property rates comprise a significant proportion of their LGA's rate revenue (Refer Section 7.4 below).

Table 6.1: Differential Rate Share by Land Use Type, 2017

Category	Victoria		New South Wales		South Australia		Western Australia	
	\$m	%	\$m	%	\$m	%	\$m	%
Residential	\$3,867	77%	\$2,158	68%	\$958	71%	\$1,931	92%
Commercial/Industrial	\$889	18%	\$785	25%	\$277	20%		
Rural	\$279	6%	\$224	7%	\$119	9%	\$169	8%
Total	\$5,035	100%	\$3,167	100%	\$1,354	100%	\$2,100	100%
Gross Value Rural Production 2017/18 \$m	\$14,900		\$13,264		\$6,600		\$8,628	
Rural Rates as share GVRP	1.87%		1.81%		1.80%		1.96%	

Source: Vic & SA LGGC Annual Reports, WA LGGC data returns and NSW OLG Council Report; GVRP using ABS Cat. 7503.0

At present, differential rating can only be used if CIV is used but the rationale for a limit of four times the lowest rate is not apparent, even though when using CIV this may generally not pose a problem in achieving an equitable distribution of the rate burden. But the range of differential rates should be a matter for each council to consider when determining an equitable spread of the rate burden.

7. Enhancements

7.1 Simplify Rates Notices

By way of example a comparison between an LGA Rates Notice for which the contents are specified by the State versus a Land Tax Assessment Notice from the State is an indication of the simplification that is required. At present an LGA Rates notice contains an enormous amount of detail that increases complexity rather than simplifying and improving communications.

The current plethora of legislative required detail on Rates Notices, which pre-dates today's digital age of the-internet-of-things, could be provided on LGA websites. However Rates Notices should provide advice on how to access further information on legal rights to object to rates or valuations.

7.2 Earlier Valuations Return Date

Each year under Victorian legislation the Valuer-General returns valuations of all Victorian properties in accordance with the Valuation of Land Act 1960. Victorian LGAs then utilise these valuations to determine their rates revenue property charges in accordance with the Local Government Act 1989.

The issue with these annual valuations is the timing of the Valuer Generals advice to LGAs and the statutory timelines LGAs are required to meet in adopting their Annual Budgets and Financial Plans.

The Valuer General's advice is received around March/April each year and LGAs are required to adopt their Budgets by 30 June each year in accordance with the Rate Cap provisions under Part 8A of the Local Government Act, after a minimum four-week advertising period and the subsequent consideration of any



submissions received. This is a very compressed timeline that creates uncertainty and risks for Victorian LGAs with potentially significant financial risks and public embarrassment e.g. both the Cities of Hobsons Bay and Melbourne in recent years unintentionally have breached this Rate Cap legislation. It has also cost some rural Councils such as Swan Hill significant revenue through successful property valuation objections post adoption of their budget.

After an LGA has adopted its budget a property owner's objection to their property valuation may not necessarily be because of the LGA CIV rate cost implications. Rather it may be because of the Site Value State Government land tax consequences for the property owner. If this property owner is successful in their appeal and achieves a lower valuation it is too late for the LGA to re-do their budget and rate in the dollar assessment calculations. They lose rate income and cannot make it up. This has happened.

The solution to eliminate these revenue, legislative and reputation risks would be for the annual revaluations to be returned earlier e.g. by the end of February with the Valuation date being changed to 30 September.

The existing annual revaluations, with their consequent annual re-distribution of the rate burden between property owners based on relative property market value movements, required by the State are also compounding the difficulties in the broader community understanding of rate capping. Property owners hear the words "rates are capped at 2.5%" but then become confused when they receive their rates notice and discover that their property's rates have gone up or down by a great deal more than the "rate cap." This is adding to community confusion and misunderstanding, resulting in mistrust.

Victorian Local Government is at the receiving end of this community mis-trust. To try and address this the State, as the legislative source of rate capping, needs to better communicate to all Victorian property owners a consistent and clear message on what rate capping is. At present there is no clear, consistent rate capping community communication across Victorian LGAs.

LGAs can charge interest on unpaid rates and charges and pursue legal action which may include the sale of the property or penalty interest can accrue against the property and stop a sale transfer of title until the interest is paid.

Penalty interest rates are set by the State Government. The Local Government Act 1989 specifies that penalty interest is to be calculated at the rate fixed under Section 2 of the Penalty Interest Rate Act 1983. It is currently set at 10%.

While the MAV supports the need for interest to be imposed to discourage the non-payment of rates and charges from a fairness and equity perspective a rate of interest slightly above the prevailing bank lending rate would serve as a disincentive but would also address the arguably punitive rate that currently applies.

7.4 Minimum and Maximum Rates Option.

The Principles of Taxation while not limited to, include the following;

Efficiency: Rates should not distort decisions concerning property ownership or development

Equity: The rate burden should fall appropriately across different types of rate payers



Benefit Principle: Where the distribution of benefits is not uniform, those who benefit more should contribute more.

Vertical Equity: Those ratepayers with greater economic means should contribute more to rates.

Horizontal Equity: Ratepayers in similar circumstances should be treated in a similar way.

(The other Principles being Simplicity and Sustainability)

At present in Victoria rating based primarily on capital improved/property values e.g. CIV is progressive and in general achieves vertical equity and horizontal equity from a property value perspective. And when rate revenue in a by gone era was once primarily about funding land services and enhancements there was a robust case for this being the rate burden distribution methodology between rate payers.

Today LGA's provide far more than services directed to roads, rubbish, drainage and other land related services. They now have a very strong and growing people focused service delivery regime demanded of them by their communities and State legislation. For example, maternal and child health care services, libraries, aged care service, leisure services, sporting and recreation services and facilities, environmental sustainability services/programs, Food Safety Standards enforcement, Economic/tourism development initiatives/programs, grants programs, kindergartens and child care, homebased family day care, arts and culture facilities and programs etc. LGAs today also provide and maintain a range of buildings facilities to support community groups such as senior citizens, Life Saving Clubs, Scouts and Guides and multiple different types of sporting groups and the standards and quality of these buildings continues to increase in line with increasing community expectations e.g. traditional male sporting facilities for cricket and football now rightly needing to equitably cater for female participation and responsible legislative obligations such as DDA, Emergency Safety standards.

This modern era of LGA services challenges the current rating system's adherence to the Benefit Principle.

From a farming stakeholder perspective, the current progressive property value-based rates' burden distribution methodology is also challenged in its adherence to the Principle of Vertical Equity. For example, a farmer's income is in part based on the improvements on their land e.g. sheds, drainage, irrigation; the lands productivity enhancements e.g. investment in pasture and crop yields through application of fertiliser and weed control. These land and productivity improvements in turn then increase the land's value and hence rates the farmer has to pay.

But a farmer's income or capacity to pay can also fluctuate drastically from year to year due to factors beyond their control such as drought and floods, insect or vermin infestations or overseas produce/livestock market movements. These adverse events however, unless over a number of consecutive years, will not drastically alter the land's value as they will the farmer's annual income. (Under Commonwealth income taxation legislation these considerations are recognised and acknowledged through income averaging provisions.)

For farmers the Equity Principle is also challenged as farmers increasingly need to achieve greater economies of scale in their production to remain profitable and viable. This they do by increasing the size of their land holdings under production. This competitive need to acquire more, preferable contiguous, land holdings in turn increases the value of individual farmland holdings and consequentially how much they then must pay in rates.

As set out above there is a direct link between land and the business of farming and the subsequent value of the farmland.



The relative land sizes/values of other rural LGA ratepayers then impact the share of the responsible LGA's rate burden its farmers pay.

Hence the fairness and equity argument that farmers pay LGA rates based on their businesses or source of income while commercial businesses and employed residential property owners, usually based in the LGA towns/cities, do not.

There are also challenges to the Benefit and Equity Principles. The Benefit Principle is challenged as farmers generally live on their farms and not in the towns which are the primary focus of an LGA's people focused services. Compounding this is the challenge rural LGAs have in maintaining the roads and bridges that farmers rely at the standard farmers require.

The above is not articulated to argue that farmers should not pay rates based on their land value nor are farmers arguing this. Rather it is to highlight the limitations of the existing legislative rating provisions in complying with Taxation Principles when it comes to farmers.

While no system of taxation can be perfect the existing LGA rates system can be improved from a Benefit and Horizontal Equity Principles perspective by giving LGAs the authority to introduce maximum and minimum rates payable. This legislative enhancement would retain and add to the current progressive rates taxation system and its facilitation of Efficiency and Equity taxation Principles.

Under this scenario a LGA proposing to adopt minimum and maximum rates would determine, in consultation with its communities as part of their current annual budget pre-adoption public advertising and consultation process, the assessment of equitable share of the rates burden by;

- capacity to pay, indicated by land and improvement valuations,
- share of services received, and
- relative beneficiaries of LGA capital investment/recurrent spending

used to determining the minimum i.e. Benefit Principle quantification, and maximum rates i.e. Horizontal Equity Principle quantification. These minimum and maximum rates payable quantifications would then impact the quantification of the rate in the dollar arrived at in compliance with Rating and Rate Cap provisions of the Local Government Act 1989 to retain a strong adherence to the progressive nature of LGA rating.

Case Study: Towong Shire Analysis of 2019/20 Share of Rates by CIV Valuation and Rural/Band

Detailed in the Figures 7.4.1 and 7.4.2 below is an analysis of the Towong Shire's 2019/20 Rates and Charges budget by CIV Class and CIV Band.

For 2019/20 Towong Shire has 4481 Rateable Properties of which 254 or 5.6% are classified as Rural with a CIV equal to or greater than \$1 million. This 5.6% of Towong's rateable properties however will contribute 23.2% of Towong's 2019/20 rates and charges income. Two of these rural properties, .044% of total rateable properties, have a CIV value of \$5 million plus and together these two properties will pay \$130,906, or 1.49% of total Towong rates and charges in 2019/20. In an era when LGA services have not only a property focus but also a very strong and growing people service focus it is reasonable to allow Rural Shires the option, in consultation with their communities to determine if such a share of the rate burden is fair and equitable at a local level.

Figure 7.4.1 Towong Shire 2019/20 Budget Share of Rates and Properties by CIV Class

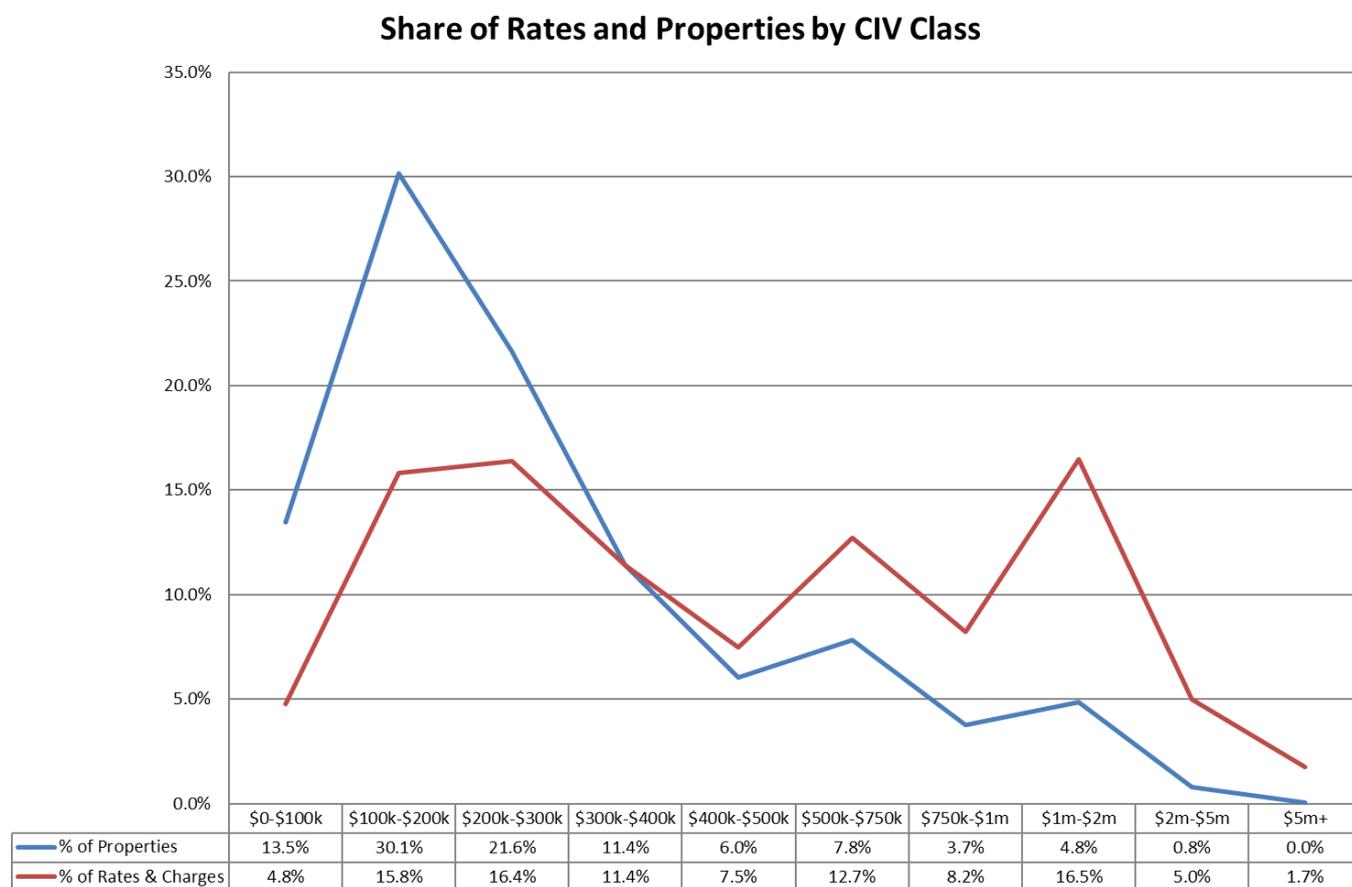
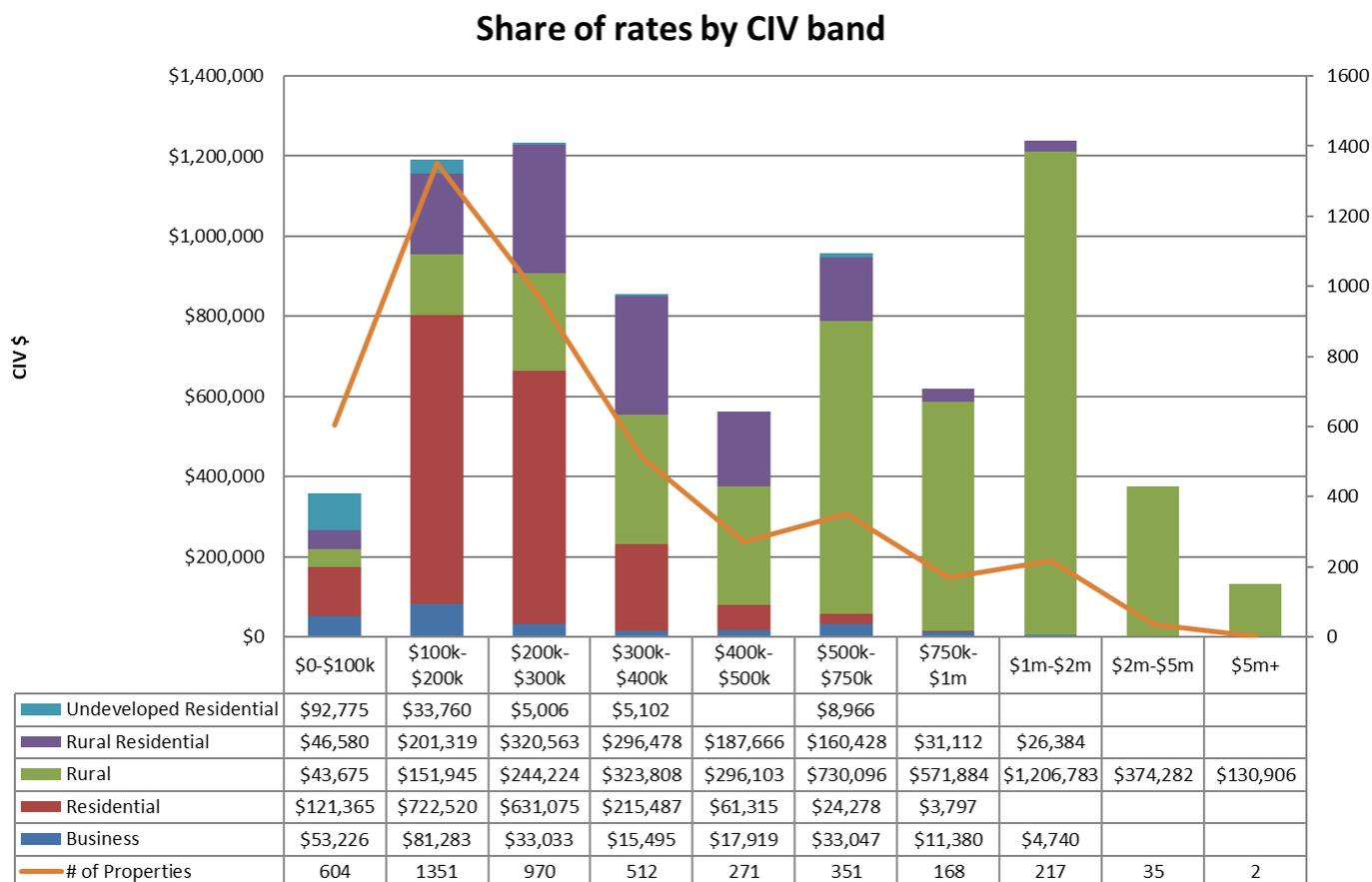




Figure 7.4.2 Towong Shire 2019/20 Budget Share of Rates by CIV Band



7.5 Option for Tourism Levy for Declared Tourist Destination LGAs

Councils in several jurisdictions in Australia and New Zealand have argued the need for a tourism levy. This is particularly an issue for smaller regional LGAs that experience a significant influx of visitors.

In many cases the relevant LGA, with available rating measures, cannot readily support the development and maintenance of infrastructure, public open spaces, historic buildings, tourist pathways/trails/local roads required for attracting and retaining these visitors unless it does so at the cost of other infrastructure asset maintenance and services/community support. These LGAs also have to respond to and manage the unruly behaviour of some short stay rental accommodation properties who operate their business in residential areas. Further all the LGA rate payers financially contribute to this subsidy to the tourist facility operators, food services and accommodation providers. But not all rate payers financially benefit from the tourists/visitors.

In New Zealand the Productivity Commission Review is considering the issue of tourism levies. Queenstown residents, in a recent referendum, voted overwhelmingly for the introduction of a tourism levy via a bed tax.

In Queensland, some councils have been able to use differential rating categories or special rates to achieve a tourism levy equivalent outcome. For example, Noosa Shire uses a special rate on all properties (commercial or residential) used for transitory accommodation (including Airbnb) to fund a tourism and economic levy.

Sunshine Coast Regional Council has created differential rate categories for residential and rural properties used for transitory accommodation with a minimum rate in the order of \$400 higher than for a similar property not used for transitory accommodation and with a rate in the dollar some 50% higher. This effectively only covers properties used for Airbnb type accommodation as commercial properties (hotels and motels) are not included in a differential category for transitory accommodation.

In NSW, Byron Shire is considering a form of a voluntary tourism levy.

LGAs should have the option of conducting a vote of all rate payers on their applicable electoral role to adopt a pre-specified Tourism Property Levy for designated properties. This would be consequential to the relevant LGA being declared a tourist designation in accordance with a Statewide consistent set of criteria established by the State Government in consultation with Victorian LGAs.

Short stay accommodation providers should also be included in this Tourism Levy.

At present short stay accommodation providers are providing a number of challenges to tourist destination LGAs who are currently using their Local Law making authority to address these challenges. Typically, short stay accommodation providers are operating a commercial business in a residential area with consequential residential amenity impacts.

As set out in the attached case study from the Mornington Peninsula Shire Council one of the key principles of the Short Stay Rental Accommodation Local Law is to hold the owner of the business responsible for the behaviour of their occupants, particularly when that behaviour disturbs the local community. Operating an accommodation business in a residential area is a commercial enterprise that requires local oversight and immediate responsiveness to problems.

Case Study

The number of registered Short Stay Rental Accommodation as at 30 June 2019 in the Mornington Peninsula Shire was 2298 and each is required to pay a registration cost of \$100 per annum.

Prior to the implementation of the Shire Local Law requiring the registration of Short Stay Rental Accommodation properties the number of problem properties was in the order of 80. With the adoption of this Local Law the number of problem properties has reduced to less than 10.

In 2018/19 Mornington Peninsula Shire managed 523 complaints, issued 160 Notices to Comply and 85 infringements with a value of \$55K.

The Local Law is considered a success because it holds property owners accountable, creates a Designated Person for immediate contact and has a clear and prescriptive Code of Conduct. It has been well received by the community and accommodation providers.

The majority of the short stay rentals are well managed and cause little concern. However, there were a group of properties that created regular problems, prompting the development of the local law.

Absentee management is no longer acceptable. The obligation on owners to register their business with the Mornington Peninsula Shire and appoint a Designated Contact Person to respond to complaints within two hours reinforces that accountability.

Short Stay Rental Accommodation properties for local residents mean different neighbours every week and an increased likelihood of parties and neighbourhood disturbance. Most communities will accept neighbours holding parties for the usual life events but will not and should not accept it every week.

A code of conduct has been implemented to clearly set out the expected standards of behaviour. It reflects the standards set by most other forms of accommodation such as hotels, motels, Bed n Breakfasts, caravan parks and camping areas.

The Code of Conduct was based on the voluntary codes developed by on line booking services. For example, if you chose to stay in a motel you would expect to be provided with parking and you would also expect management to respond if the room next door was partying into the night or using the pool at all hours, disturbing you. It is no different for accommodation businesses based in residential areas.

Prior to the introduction of this Local Law the short stay rental accommodation businesses were not subject to any other controls.

Subject to ratepayer and service provision fairness and equity considerations the additional income from a Tourism Levy could then be used to reduce the rate burden on existing rate payers.

7.6 Residential Village Dwellings to be Rateable

A Residential Village is zoned special use (SUZ) and defined as land, in one ownership, containing a number of dwellings used to provide permanent accommodation and can include communal, recreation, or medical facilities for residents of the village.

A Residential village usually contains a movable or transportable dwelling, which is “designed, built or manufactured to be transported from one place to another for use as a residence.” The transportable dwelling is placed in a residential park which then pays rent or site fees to the site owner. These fees cover waste removal, rates, sewerage and water.

In theory, the purpose of Residential Villages is to provide lower cost housing for citizens, who may not be able to afford the cost of both land and a house.

A Residential Village differs slightly from a caravan and camping park which is a mixed-use zone (MUZ) that does allow for cabins and also tents and caravans. A retirement village also differs in that the residents are over 55 and the houses are generally not transportable and have different regulations which govern and protect retired people.

Houses in residential villages do not require a building permit.

Currently the main question in determining rateability is the definition of a transportable house. While the planning guideline state that the houses must be designed to be transportable, in reality, one could argue they do not differ from other factory-built homes that are placed permanently on concrete with plumbing and sewerage connections provided by the landowner.

The developer does not pay rates on the value of the house, only the land in one assessment. This gives rise to the issue that residents within these Residential Villages areas are not contributing equally to the rates, compared to other ratepayers who are on individual assessments. Residential Villages add to the population that an LGA has to serve but do not equally contribute to funding the cost of the LGA’s services. This is not fair or equitable.

Retirement Village dwellings/built improvements should be rateable. They should not be subsidised by other ratepayers. Below is Case Study example of the rate revenue impact based on Moira Shire.

Case Study

Example of a typical Residential Village Rates assessment with 100 houses onsite:

Current:

Assume Individual House price (without land) of \$165,000 and land value of \$2,500,000

\$CIV/SV of \$2,500,000 results in a rates charge of \$12,750 at commercial Building Rate (140% of base rate)

Plus, one Municipal charge of \$348

Total rates and charges collected: \$13,098

Alternative: Assessed with 100 Houses:

\$CIV with 100 houses assessed at \$165,000 per dwelling plus land value of \$2,500,000 equals a \$CIV of \$19,000,000

Rates: \$66,500 (assessed at base rate)

Municipal Charge on 100 homes: \$34,800

Total rates and charges collected: \$101,300

Impact:

Loss of rates and charges from one residential Village per 100 homes \$88,202. This lost rate and charges revenue is met by other ratepayers.

7.7 LGA Rating Strategies

Transparency and communications with local community rate payers could be improved by all Council's having in place a publicly available Rating Strategy that could include the following;

- Definitions of Differentials and how applied
- Rate Relief Criteria and Application Process
- Application of and compliance with Rate Capping provisions under Part 8A of the Local Government Act 1989.
- How rates calculate, applied and collected
- Payment options
- Waste charge cost basis
- Minimum and maximum rates charges

8. Action to Address Rural LGAs Fairness & Equity

The current Victorian Rating system as a form of taxation is arguable a regressive tax for small Rural and Regional Councils as demonstrated in the following Table 8.1. While it draws on 2015/16 Total Personal Income data and utilises 2016/17 Rates and Charges data the correlation is clear.

At one end of the spectrum nine large metropolitan Councils, by; assessments, population and budgets draw on 2% or less of their communities' Personal Income with the lowest percentage being 1.4%.

However, at the other end of the spectrum this percentage increases to more than 4% for 36 relatively small Rural/Regional LGAs by; assessments, population and budget but very large by geographic area. Five of these LGAs drawing on more than 7% of their communities' Personal Income with the highest taking up 10.9%. (Refer Appendix 2 for comparison of all Victorian LGAS by population, assessment, Square kms, Rates & Charges Revenue and Personal Income).

When the Productivity Commission undertook a study of Local Government revenue raising capacity in 2008 their Report³ (Assessing Local Government Revenue Capacity, Productivity Commission April 2008, p.55) stated that "... the appropriate indicator of fiscal capacity for each council in the context of this study is the aggregate income of its local community. Ultimately, it is the incomes of individuals in local communities that constrain the choices they face between consuming public or private sector goods and services."

The Report⁴ (Assessing Local Government Revenue Capacity, Productivity Commission April 2008, p.67) also noted that "...Revenue-raising effort (the extent to which a council draws on its fiscal capacity), also differs across classes of local governments. Urban developed and urban fringe councils tend to draw lightly on their fiscal capacity. Urban regional, rural and remote councils draw relatively heavily on their fiscal capacity."

It is the MAV's position that fairness and equity across Victorian LGAs cannot be achieved through the rating system. Rural and Regional LGA's could have their Rate Capping legislative obligations removed and still not achieve fiscal equity with their metropolitan counterparts. Their communities do not have the same financial capacity. For this reason, the State as the statutory source, authority and ultimately point of accountability for Victorian LGAs needs to intervene. The focus of this intervention needs to achieve a fair and equitable match between small and regional rural LGAs' community fiscal capacity and their LGAs' asset and service responsibilities. Reviewing the road and bridge infrastructure responsibilities split between these LGAs and the State Government's Road Authority, Vic Roads, or the creation of a specific Small Rural/Regional LGA Funding Program is of the order of magnitude required.

Table 8.1 provides an indication of the extent to which the fiscal capacity of all Victorian LGAs is used based on 2015/16 taxable personal income figures. While personal income may not fully measure each Council's community fiscal capacity, it is nevertheless a useful and very relevant indicator.

This table reflects the findings of the Productivity Commission with metropolitan councils drawing lightly on their fiscal capacity whilst rural and regional councils draw more heavily on their capacity.

This Table also makes a case that rate pegging is not an effective tool in managing individual community expectations in terms of service needs versus capacity to pay.

Table 8.1: Indicative Use of Fiscal Capacity for Rates and Charges by LGA

	Total Personal Income 2015/16 \$m	Rates & Charges 2016/17 \$m	% rates/charges
Bayside (C)	6,231,147,537	\$85,518	1.4%
Stonnington (C)	7,412,088,240	\$104,438	1.4%
Glen Eira (C)	6,393,229,749	\$100,524	1.6%

³ Assessing Local Government Revenue Capacity, Productivity Commission April 2008, p.55

⁴ Ibid, p.67

	Total Personal Income 2015/16 \$m	Rates & Charges 2016/17 \$m	% rates/charges
Boroondara (C)	10,526,212,017	\$166,332	1.6%
Monash (C)	5,998,251,358	\$112,923	1.9%
Whitehorse (C)	5,615,675,254	\$107,992	1.9%
Port Phillip (C)	5,916,463,773	\$117,192	2.0%
Manningham (C)	4,648,268,289	\$92,655	2.0%
Banyule (C)	4,786,047,521	\$95,807	2.0%
Knox (C)	5,134,504,019	\$111,424	2.2%
Moonee Valley (C)	4,791,426,921	\$104,834	2.2%
Maroondah (C)	3,711,248,956	\$82,158	2.2%
Yarra (C)	4,421,696,235	\$101,132	2.3%
Nillumbik (S)	2,671,367,270	\$62,377	2.3%
Casey (C)	8,572,543,704	\$202,188	2.4%
Kingston (C) (Vic.)	5,380,591,264	\$129,749	2.4%
Darebin (C)	4,874,549,434	\$118,985	2.4%
Moreland (C)	5,406,308,120	\$138,259	2.6%
Whittlesea (C)	5,312,046,874	\$136,977	2.6%
Melton (C)	3,792,467,095	\$99,269	2.6%
Macedon Ranges (S)	1,664,280,247	\$44,136	2.7%
Yarra Ranges (S)	4,842,982,459	\$130,772	2.7%
Wyndham (C)	6,318,077,053	\$172,096	2.7%
Cardinia (S)	2,825,463,732	\$78,968	2.8%
Frankston (C)	4,042,947,719	\$113,802	2.8%
Greater Geelong (C)	7,139,301,767	\$204,956	2.9%
Mornington Peninsula (S)	5,247,328,191	\$152,941	2.9%
Hobsons Bay (C)	3,306,782,921	\$98,874	3.0%
Brimbank (C)	4,841,172,390	\$145,557	3.0%
Moorabool (S)	998,028,699	\$30,987	3.1%
Indigo (S)	480,408,635	\$15,154	3.2%
Golden Plains (S)	642,956,632	\$20,796	3.2%
Hume (C)	5,003,383,535	\$162,687	3.3%

	Total Personal Income 2015/16 \$m	Rates & Charges 2016/17 \$m	% rates/charges
Maribyrnong (C)	2,809,189,015	\$92,476	3.3%
Mitchell (S)	1,140,682,035	\$38,055	3.3%
Warrnambool (C)	1,008,117,732	\$34,326	3.4%
Greater Bendigo (C)	3,081,432,157	\$106,398	3.5%
Latrobe (C) (Vic.)	2,162,893,310	\$75,121	3.5%
Ballarat (C)	2,933,517,911	\$104,967	3.6%
Baw Baw (S)	1,374,120,849	\$51,314	3.7%
Wodonga (C)	1,137,590,704	\$43,124	3.8%
Greater Dandenong (C)	3,333,148,348	\$127,751	3.8%
Wangaratta (RC)	770,285,355	\$29,564	3.8%
Campaspe (S)	946,208,762	\$39,356	4.2%
Greater Shepparton (C)	1,702,660,343	\$71,891	4.2%
Southern Grampians (S)	446,125,519	\$19,017	4.3%
Surf Coast (S)	1,093,456,139	\$47,850	4.4%
Moyne (S)	472,272,894	\$20,769	4.4%
Wellington (S)	1,215,152,786	\$55,417	4.6%
Towong (S)	168,925,829	\$7,771	4.6%
Mildura (RC)	1,390,993,315	\$64,860	4.7%
Horsham (RC)	532,550,301	\$24,913	4.7%
Glenelg (S)	545,999,598	\$25,554	4.7%
Melbourne (C)	5,515,073,959	\$262,105	4.8%
Benalla (RC)	338,208,100	\$16,195	4.8%
Hepburn (S)	385,698,096	\$18,528	4.8%
Mount Alexander (S)	443,816,377	\$21,512	4.8%
Swan Hill (RC)	531,935,673	\$25,852	4.9%
Moira (S)	678,453,408	\$34,069	5.0%
Corangamite (S)	401,013,379	\$20,158	5.0%
East Gippsland (S)	1,038,250,921	\$52,228	5.0%
Colac-Otway (S)	567,219,966	\$29,078	5.1%
Gannawarra (S)	226,175,022	\$11,914	5.3%

	Total Personal Income 2015/16 \$m	Rates & Charges 2016/17 \$m	% rates/charges
Murrindindi (S)	359,213,136	\$19,183	5.3%
Alpine (S)	316,545,753	\$16,957	5.4%
South Gippsland (S)	733,792,248	\$40,005	5.5%
Mansfield (S)	219,174,950	\$12,615	5.8%
Ararat (RC)	270,296,302	\$15,908	5.9%
Pyrenees (S)	151,376,558	\$9,091	6.0%
Central Goldfields (S)	224,392,854	\$13,580	6.1%
Northern Grampians (S)	266,471,800	\$16,370	6.1%
Queenscliffe (B)	110,413,753	\$6,816	6.2%
Bass Coast (S)	756,713,226	\$52,101	6.9%
Hindmarsh (S)	115,822,593	\$8,015	6.9%
Strathbogie (S)	247,905,211	\$18,067	7.3%
Loddon (S)	134,597,804	\$10,103	7.5%
West Wimmera (S)	91,355,630	\$7,001	7.7%
Yarriambiack (S)	132,562,662	\$11,645	8.8%
Buloke (S)	116,157,792	\$12,625	10.9%
Total	201,587,207,685	5,484,673	2.7%

Source: ABS Cat. 6524.0, Estimates of Personal Income and Vic. LGGC revenue data

9. Poll Tax Options

To achieve State-wide consistency at face value it may appear reasonable to introduce a Statewide consistent Local Government Service Charge based on either;

- a per capita basis, or
- per assessment basis, or
- a State-wide consistent CIV rate in the dollar property charge.

These Options are not supported by the MAV as they would have a totally unacceptable community impact on the capacity of many Councils in terms of;

- drastically reduced financial capacity to provide existing services that meet local communities needs and expectations,
- the substantial increase in what many, many Victorian property owners would have to pay compared to what they pay at present.
- detracting from, not adding to fairness and equity. At present most Victorians self-fund the majority of Local Government services they receive in terms of the percentage of total revenue derived from rates.

Fairness and equity has to be viewed from a perspective of objectivity and not self interest subjectivity which these Poll Tax options invite. They equate to another, more severe, version of unfairness and inequity.

The following three sections and supporting Tables detail by LGA the impact of these three Poll Tax Options.

9.1 A State Average CIV Poll Tax

Utilising the State Average CIV Rate in the Dollar for 2017/18 and assuming no increase in the total Victorian LGA revenue collected, at one extreme would see rate increases of 30% plus (up to 149%) for 10 LGAs under which an additional \$32M to \$144M would be collected from each of these LGA communities. At the other extreme 59 LGAs would collect between \$1.264M to \$69M per LGA less than at present equating to a rates revenue reduction of up to 59% plus.

Twenty Victorian LGAs comprising 1,269,877 assessments, 42% of total Victorian 2017/18 LGA assessments, would collectively be taxed an additional \$913M p.a. In total these twenty LGAs, 25% of total Victorian LGAs, would be forced to contribute \$3 Billion, or 60%, of the \$5.1 Billion of rates revenue raised by all Victorian LGAs in 2017/18. Refer Table 9.1 below for full details.

This is not surprising as arguments put forward that all Victorian properties should be rated at the same rate in the dollar fail to take into account the broad range of property values throughout Victoria which are substantially determined by location, not LGA services and assets. Secondly what is actually paid in rates is determined by not the rate in the dollar but by this being multiplied by the property value. Under this methodology property values serve as a proxy for relative capacity to contribute to what each individual LGA needs to collect in total rate revenue from its community to financially sustain the unique mix of local services each LGA provides to its community.

Table 9.1: Poll Tax Option: 2017/18 State Average CIV Rate in \$ Impact on Individual LGA 2017/18 Rate Revenue Collection

	Rates & Charges 2017/18 \$000	Garbage Charges 2017/18 \$000	Rates Revenue 2017/18	CIV 2018	Rates at State CIV Average \$000	Rates Revenue Increase/ Decrease At State Average CIV	% Change At State Average CIV
Stonnington (C)	108,801,227	19,447,000	89,354,227	80,071,476,000	\$222,479,498	\$133,125,271	149%
Bayside (C)	89,143,713	10,017,345	79,126,368	58,382,560,000	\$162,216,600	\$83,090,232	105%
Boroondara (C)	177,231,000	22,436,000	154,795,000	107,887,355,788	\$299,766,233	\$144,971,233	94%
Glen Eira (C)	103,856,077	14,206,659	89,649,417	60,398,304,649	\$167,817,369	\$78,167,952	87%
Monash (C)	116,021,871	0	116,021,871	73,053,004,500	\$202,978,595	\$86,956,724	75%
Whitehorse (C)	111,747,142	0	111,747,142	65,482,718,000	\$181,944,469	\$70,197,327	63%
Manningham (C)	96,267,903	10,830,703	85,437,200	48,353,963,000	\$134,352,031	\$48,914,830	57%
Port Phillip (C)	121,119,496	300,031	120,819,465	59,376,441,000	\$164,978,110	\$44,158,645	37%
Mornington Peninsula (S)	158,142,209	19,735,854	138,406,355	65,972,554,000	\$183,305,484	\$44,899,129	32%
Yarra (C)	105,008,000	51,830	104,956,170	49,439,000,484	\$137,366,819	\$32,410,649	31%
Queenscliffe (B)	6,927,131	823,788	6,103,343	2,734,370,025	\$7,597,478	\$1,494,135	24%
Maroondah (C)	84,651,000	11,652,000	72,999,000	32,294,459,291	\$89,730,519	\$16,731,519	23%
Kingston (C)	134,352,743	12,197,461	122,155,282	53,310,804,024	\$148,124,669	\$25,969,387	21%
Knox (C)	113,636,545	15,857,062	97,779,483	42,265,614,091	\$117,435,485	\$19,656,002	20%
Moonee Valley (C)	108,953,185	9,026,642	99,926,543	42,236,553,000	\$117,354,738	\$17,428,195	17%
Banyule (C)	99,031,353	2,123,598	96,907,755	39,570,669,200	\$109,947,550	\$13,039,795	13%
Melbourne (C)	271,273,184	0	271,273,184	109,185,105,222	\$303,372,044	\$32,098,860	12%
Moreland (C)	141,484,000	13,299,957	128,184,043	49,829,460,000	\$138,451,716	\$10,267,672	8%
Darebin (C)	122,809,706	0	122,809,706	47,100,536,761	\$130,869,372	\$8,059,666	7%

Nillumbik (S)	62,678,000	8,329,000	54,349,000	20,109,586,000	\$55,874,711	\$1,525,711	3%
Surf Coast (S)	49,631,868	6,745,021	42,886,847	14,599,222,100	\$40,564,103	-\$2,322,744	-5%
Greater Dandenong (C)	132,918,779	16,519,761	116,399,019	39,372,636,578	\$109,397,314	-\$7,001,705	-6%
Moyne (S)	21,534,578	3,085,341	18,449,237	6,143,630,958	\$17,070,148	-\$1,379,089	-7%
Casey (C)	213,982,563	32,173,584	181,808,979	57,433,366,251	\$159,579,255	-\$22,229,724	-12%
Mansfield (S)	13,094,398	3,039,667	10,054,731	3,163,882,447	\$8,790,883	-\$1,263,848	-13%
Brimbank (C)	149,843,361	26,500,366	123,342,995	38,673,175,704	\$107,453,854	-\$15,889,141	-13%
Hobsons Bay (C)	102,669,095	6,884,861	95,784,235	28,631,303,567	\$79,552,399	-\$16,231,835	-17%
Frankston (C)	116,493,403	22,679,632	93,813,771	27,918,568,000	\$77,572,055	-\$16,241,716	-17%
Macedon Ranges (S)	45,826,647	5,839,645	39,987,002	11,849,804,450	\$32,924,815	-\$7,062,187	-18%
Whittlesea (C)	143,822,703	0	143,822,703	41,927,295,665	\$116,495,463	-\$27,327,240	-19%
Maribyrnong (C)	96,335,000	893,539	95,441,461	27,658,707,272	\$76,850,030	-\$18,591,431	-19%
Greater Geelong (C)	218,295,159	30,284,059	188,011,100	53,695,487,552	\$149,193,517	-\$38,817,583	-21%
Yarra Ranges (S)	135,121,237	15,781,810	119,339,427	33,328,812,500	\$92,604,481	-\$26,734,947	-22%
Cardinia (S)	83,816,826	11,689,392	72,127,434	19,614,102,637	\$54,498,005	-\$17,629,429	-24%
Wyndham (C)	186,406,535	20,143,005	166,263,530	44,366,755,204	\$123,273,529	-\$42,990,001	-26%
Melton (C)	106,155,982	12,203,977	93,952,005	25,036,211,400	\$69,563,395	-\$24,388,610	-26%
West Wimmera (S)	7,238,778	485,458	6,753,320	1,780,503,300	\$4,947,148	-\$1,806,171	-27%
Bass Coast (S)	55,323,250	9,477,145	45,846,105	11,820,656,960	\$32,843,828	-\$13,002,277	-28%
Hepburn (S)	19,262,002	2,532,572	16,729,430	4,269,262,000	\$11,862,193	-\$4,867,237	-29%
Corangamite (S)	20,792,554	1,585,676	19,206,878	4,763,750,500	\$13,236,134	-\$5,970,744	-31%
Murrindindi (S)	19,797,539	2,901,408	16,896,131	4,141,915,500	\$11,508,359	-\$5,387,772	-32%
Mount Alexander (S)	22,365,370	4,004,511	18,360,860	4,420,644,500	\$12,282,811	-\$6,078,049	-33%
Moorabool (S)	32,359,313	4,256,345	28,102,968	6,430,265,000	\$17,866,564	-\$10,236,404	-36%
Indigo (S)	15,693,689	2,796,339	12,897,350	2,901,104,700	\$8,060,752	-\$4,836,597	-38%
Baw Baw (S)	53,809,240	7,771,514	46,037,726	10,167,966,000	\$28,251,808	-\$17,785,918	-39%
Golden Plains (S)	21,518,311	2,154,853	19,363,458	4,270,820,000	\$11,866,521	-\$7,496,937	-39%
Colac Otway (S)	29,507,323	2,898,982	26,608,341	5,849,395,000	\$16,252,610	-\$10,355,731	-39%
Greater Bendigo (C)	110,542,254	16,294,423	94,247,831	20,502,223,400	\$56,965,659	-\$37,282,172	-40%

Mitchell (S)	40,277,188	5,036,635	35,240,553	7,526,097,000	\$20,911,345	-\$14,329,208	-41%
Hume (C)	171,985,280	2,559,168	169,426,112	36,129,710,700	\$100,386,808	-\$69,039,304	-41%
Pyrenees (S)	9,588,785	1,194,131	8,394,654	1,736,226,000	\$4,824,123	-\$3,570,530	-43%
Warrnambool (C)	35,831,373	4,747,063	31,084,311	6,361,955,436	\$17,676,765	-\$13,407,546	-43%
East Gippsland (S)	54,239,119	6,927,903	47,311,216	9,605,250,000	\$26,688,295	-\$20,622,920	-44%
Campaspe (S)	39,867,340	5,837,624	34,029,716	6,839,219,700	\$19,002,849	-\$15,026,867	-44%
South Gippsland (S)	40,967,922	2,830,778	38,137,144	7,534,768,550	\$20,935,439	-\$17,201,705	-45%
Wangaratta (RC)	30,738,136	5,310,686	25,427,451	5,019,906,000	\$13,947,865	-\$11,479,585	-45%
Towong (S)	8,343,809	1,241,970	7,101,839	1,383,759,107	\$3,844,790	-\$3,257,049	-46%
Wellington (S)	60,473,750	3,870,644	56,603,106	10,851,540,600	\$30,151,128	-\$26,451,978	-47%
Loddon (S)	10,445,501	1,282,460	9,163,041	1,746,756,400	\$4,853,382	-\$4,309,658	-47%
Ballarat (C)	110,326,166	15,935,142	94,391,024	17,987,029,722	\$49,977,165	-\$44,413,859	-47%
Alpine (S)	17,772,000	3,202,830	14,569,170	2,771,400,200	\$7,700,367	-\$6,868,803	-47%
Southern Grampians (S)	19,706,259	1,761,002	17,945,257	3,380,642,000	\$9,393,152	-\$8,552,105	-48%
Horsham (RC)	25,695,482	2,891,721	22,803,761	4,127,042,000	\$11,467,033	-\$11,336,729	-50%
Strathbogrie (S)	18,525,521	2,228,235	16,297,286	2,874,729,000	\$7,987,467	-\$8,309,819	-51%
Benalla (RC)	16,740,586	2,459,131	14,281,455	2,491,870,400	\$6,923,690	-\$7,357,765	-52%
Yarriambiack (S)	11,881,080	1,074,626	10,806,454	1,879,555,600	\$5,222,366	-\$5,584,088	-52%
Glenelg (S)	25,878,194	2,258,896	23,619,297	4,104,568,000	\$11,404,588	-\$12,214,709	-52%
Moira (S)	35,343,859	3,505,783	31,838,076	5,526,575,000	\$15,355,651	-\$16,482,425	-52%
Latrobe (C)	75,349,532	11,049,534	64,299,997	10,973,492,001	\$30,489,971	-\$33,810,026	-53%
Hindmarsh (S)	8,350,041	874,573	7,475,468	1,241,013,700	\$3,448,171	-\$4,027,297	-54%
Wodonga (C)	44,947,096	8,466,191	36,480,905	5,972,219,400	\$16,593,879	-\$19,887,026	-55%
Ararat (RC)	16,512,195	1,997,663	14,514,532	2,375,881,500	\$6,601,413	-\$7,913,119	-55%
Swan Hill (RC)	26,702,822	2,983,604	23,719,218	3,678,603,300	\$10,221,041	-\$13,498,177	-57%
Central Goldfields (S)	13,996,951	2,473,702	11,523,249	1,773,648,000	\$4,928,101	-\$6,595,148	-57%
Greater Shepparton (C)	74,576,868	9,501,764	65,075,103	9,706,256,600	\$26,968,943	-\$38,106,160	-59%
Gannawarra (S)	12,205,384	1,788,059	10,417,325	1,548,560,800	\$4,302,694	-\$6,114,631	-59%
Northern Grampians (S)	16,806,554	2,531,455	14,275,099	2,102,583,000	\$5,842,051	-\$8,433,048	-59%

Mildura (RC)	66,917,669	8,391,973	58,525,696	8,107,638,300	\$22,527,164	-\$35,998,532	-62%
Buloke (S)	12,933,997	1,308,306	11,625,691	1,392,766,100	\$3,869,816	-\$7,755,875	-67%
TOTAL	\$ 5,711,219,701	\$ 569,481,067	\$5,141,738,633.40	\$1,850,537,268,296	\$5,141,738,633	\$0	
		Average Rate in \$	0.00277851125804886				

9.2 A State Average Per Capita Poll Tax

Utilising the average rates and charges per capita based on the aggregated LGA 2018/18 collections divided by the aggregated LGAs 2018 populations, the impact ranges from an additional \$30M up to \$87.8 M more in collections for 9 LGAs and reductions of between \$1M and \$121M for 56 LGAs. This distortion is also not surprising as this approach fails to accommodate the fact that most Victorians live in metropolitan Melbourne where LGAs achieve, relative to rural Victoria LGAs, economies of scale in the provision of LGA services. Refer Table 9.2 below for full details.

Table 9.2: Poll Tax Option: 2017/18 Average Rate Revenue Per Capita Service Charge Impact On Individual LGA 2017/18 Rate & Charges Revenue Collection

	Population 2018	Rates & Charges 2017/18 \$000	CIV 2018	Rates & Charges/capita	Over/Under Variance Per Capita	Per Capita Rates & Charges Impact
Casey (C)	340,419	\$212,682	57,433,366,251	\$625	\$258	\$87,784,782
Monash (C)	200,077	\$116,012	73,053,004,500	\$580	\$303	\$60,583,637
Whittlesea (C)	223,322	\$143,823	41,927,295,665	\$644	\$239	\$53,289,619
Whitehorse (C)	176,196	\$111,652	65,482,718,000	\$634	\$249	\$43,865,423
Wyndham (C)	255,322	\$186,407	44,366,755,204	\$730	\$153	\$38,950,179
Brimbank (C)		\$150,003	38,673,175,704	\$719	\$164	\$34,215,811

	208,714					
Glen Eira (C)	153,858	\$103,263	60,398,304,649	\$671	\$211	\$32,537,766
Melton (C)	156,713	\$106,156	25,036,211,400	\$677	\$205	\$32,164,754
Knox (C)	163,203	\$113,637	42,265,614,091	\$696	\$186	\$30,412,506
Hume (C)	224,394	\$171,985	36,129,710,700	\$766	\$116	\$26,073,229
Darebin (C)	161,609	\$122,810	47,100,536,761	\$760	\$123	\$19,832,422
Maroondah (C)	117,498	\$84,651	32,294,459,291	\$720	\$162	\$19,056,953
Moreland (C)	181,725	\$141,484	49,829,460,000	\$779	\$104	\$18,913,259
Banyule (C)	130,237	\$97,297	39,570,669,200	\$747	\$136	\$17,655,031
Manningham (C)	125,508	\$96,268	48,353,963,000	\$767	\$116	\$14,510,137
Greater Dandenong (C)	166,094	\$132,919	39,372,636,578	\$800	\$82	\$13,681,976
Cardinia (S)	107,120	\$83,817	19,614,102,637	\$782	\$100	\$10,731,279

Kingston (C)	163,431	\$134,353	53,310,804,024	\$822	\$61	\$9,897,550
Frankston (C)	141,845	\$116,463	27,918,568,000	\$821	\$62	\$8,734,207
Yarra Ranges (S)	158,173	\$135,042	33,328,812,500	\$854	\$29	\$4,567,638
Greater Geelong (C)	252,217	\$218,295	53,695,487,552	\$866	\$17	\$4,320,969
Bayside (C)	105,718	\$89,144	58,382,560,000	\$843	\$39	\$4,166,935
Moonee Valley (C)	127,883	\$108,953	42,236,553,000	\$852	\$31	\$3,921,118
Golden Plains (S)	23,120	\$21,518	4,270,820,000	\$931	-\$48	-\$1,111,737
Indigo (S)	16,490	\$15,694	2,901,104,700	\$952	-\$69	-\$1,139,000
Mitchell (S)	44,299	\$40,382	7,526,097,000	\$912	-\$29	-\$1,281,617
Moorabool (S)	34,158	\$32,359	6,430,265,000	\$947	-\$65	-\$2,210,189
Central Goldfields (S)	13,209	\$13,997	1,773,648,000	\$1,060	-\$177	-\$2,338,195
Macedon Ranges (S)	49,388	\$46,042	11,849,804,450	\$932	-\$50	-\$2,449,959

Gannawarra (S)	10,547	\$12,205	1,548,560,800	\$1,157	-\$275	-\$2,896,209
Towong (S)	6,054	\$8,344	1,383,759,107	\$1,378	-\$496	-\$3,000,323
Pyrenees (S)	7,353	\$9,589	1,736,226,000	\$1,304	-\$421	-\$3,098,753
Hindmarsh (S)	5,645	\$8,350	1,241,013,700	\$1,479	-\$597	-\$3,367,554
Loddon (S)	7,513	\$10,446	1,746,756,400	\$1,390	-\$508	-\$3,814,247
West Wimmera (S)	3,862	\$7,239	1,780,503,300	\$1,874	-\$992	-\$3,830,033
Queenscliffe (B)	2,982	\$6,927	2,734,370,025	\$2,323	-\$1,440	-\$4,295,106
Benalla (RC)	14,024	\$16,741	2,491,870,400	\$1,194	-\$311	-\$4,362,481
Warrnambool (C)	34,862	\$35,831	6,361,955,436	\$1,028	-\$145	-\$5,060,873
Wangaratta (RC)	29,087	\$30,738	5,019,906,000	\$1,057	-\$174	-\$5,064,866
Mount Alexander (S)	19,514	\$22,365	4,420,644,500	\$1,146	-\$263	-\$5,141,586
Mansfield (S)	8,979	\$13,094	3,163,882,447	\$1,458	-\$576	-\$5,169,198

Hepburn (S)	15,812	\$19,262	4,269,262,000	\$1,218	-\$336	-\$5,305,741
Nillumbik (S)	64,941	\$62,678	20,109,586,000	\$965	-\$83	-\$5,358,653
Southern Grampians (S)	16,135	\$19,706	3,380,642,000	\$1,221	-\$339	-\$5,464,907
Yarriambiack (S)	6,658	\$11,881	1,879,555,600	\$1,784	-\$902	-\$6,004,481
Ararat (RC)	11,795	\$16,512	2,375,881,500	\$1,400	-\$517	-\$6,101,488
Stonnington (C)	116,207	\$108,801	80,071,476,000	\$936	-\$54	-\$6,232,597
Glenelg (S)	19,665	\$23,669	4,104,568,000	\$1,204	-\$321	-\$6,311,838
Corangamite (S)	16,140	\$20,747	4,763,750,500	\$1,285	-\$403	-\$6,501,362
Alpine (S)	12,730	\$17,772	2,771,400,200	\$1,396	-\$513	-\$6,536,027
Moyne (S)	16,887	\$21,535	6,143,630,958	\$1,275	-\$393	-\$6,629,482
Northern Grampians (S)	11,431	\$16,807	2,102,583,000	\$1,470	-\$588	-\$6,717,127
Murrindindi (S)	14,478	\$19,798	4,141,915,500	\$1,367	-\$485	-\$7,018,717

Buloke (S)	6,184	\$12,934	1,392,766,100	\$2,092	-\$1,209	-\$7,475,768
Campaspe (S)	37,592	\$40,718	6,839,219,700	\$1,083	-\$201	-\$7,537,870
Baw Baw (S)	52,015	\$53,809	10,167,966,000	\$1,034	-\$152	-\$7,898,862
Greater Bendigo (C)	116,045	\$110,486	20,502,223,400	\$952	-\$69	-\$8,059,945
Horsham (RC)	19,875	\$25,695	4,127,042,000	\$1,293	-\$410	-\$8,153,066
Swan Hill (RC)	20,759	\$26,703	3,678,603,300	\$1,286	-\$404	-\$8,380,155
Wodonga (C)	41,429	\$44,947	5,972,219,400	\$1,085	-\$202	-\$8,380,316
Latrobe (C)	75,211	\$75,350	10,973,492,001	\$1,002	-\$119	-\$8,965,500
Moira (S)	29,799	\$35,344	5,526,575,000	\$1,186	-\$303	-\$9,042,151
Strathbogie (S)	10,645	\$18,526	2,874,729,000	\$1,740	-\$858	-\$9,129,847
Colac Otway (S)	21,503	\$29,507	5,849,395,000	\$1,372	-\$490	-\$10,527,974
Mornington Peninsula (S)	165,822	\$158,142	65,972,554,000	\$954	-\$71	-\$11,781,531

Boroondara (C)	181,289	\$172,058	107,887,355,788	\$949	-\$66	-\$12,045,119
East Gippsland (S)	46,818	\$54,605	9,605,250,000	\$1,166	-\$284	-\$13,281,719
South Gippsland (S)	29,576	\$40,968	7,534,768,550	\$1,385	-\$503	-\$14,863,042
Ballarat (C)	107,325	\$110,387	17,987,029,722	\$1,029	-\$146	-\$15,657,812
Maribyrnong (C)	91,387	\$96,335	27,658,707,272	\$1,054	-\$172	-\$15,673,456
Greater Shepparton (C)	66,007	\$74,577	9,706,256,600	\$1,130	-\$247	-\$16,316,629
Hobsons Bay (C)	96,470	\$102,669	28,631,303,567	\$1,064	-\$182	-\$17,521,077
Mildura (RC)	55,515	\$66,918	8,107,638,300	\$1,205	-\$323	-\$17,918,060
Yarra (C)	98,521	\$105,008	49,439,000,484	\$1,066	-\$183	-\$18,049,693
Surf Coast (S)	32,251	\$49,632	14,599,222,100	\$1,539	-\$656	-\$21,165,933
Port Phillip (C)	113,200	\$121,119	59,376,441,000	\$1,070	-\$187	-\$21,204,957
Wellington (S)	44,019	\$60,474	10,851,540,600	\$1,374	-\$491	-\$21,620,940

Bass Coast (S)	35,327	\$55,323	11,820,656,960	\$1,566	-\$683	-\$24,142,323
Melbourne (C)	169,961	\$271,273	109,185,105,222	\$1,596	-\$713	- \$121,259,086
Total	6,459,786	\$5,701,648				\$0
			State Average Rate & Charges Per Capita	\$883		

9.3 A State Average Per Assessment Poll Tax

Similarly utilising the average rates and charges per assessment based on the aggregated LGA's 2017/18 rates and charges revenue divided by the aggregated LGAs 2017/18 number of assessments results in; six LGAs receiving between \$15m to \$24.9M less than actually collected through to 12 LGAs receiving from \$10M to \$34M more than actually collected. Refer Table 9.3 below for full details.

Table 9.3: Poll Tax Option: 2017/18 Average Rate & Charges Revenue Per Assessment Service Charge Impact On Individual LGA 2017/18 Rate & Charges Revenue Collection

	Rateable Assessments 17/18	Rates & Charges 2017/18 \$000	Rates & Charges/ Assessment	Over/Under Variance To State Average/Assessment	"+/- Impact on Revenue By Using State Average/Assessment
Melbourne (C)	113,551	\$271,273	\$2,389	-\$485	-\$55,021,925
Boroondara (C)	77,236	\$172,058	\$2,228	-\$323	-\$24,966,214
Hobsons Bay (C)	41,768	\$102,669	\$2,458	-\$554	-\$23,124,442
Maribyrnong (C)	40,298	\$96,335	\$2,391	-\$486	-\$19,589,903
Nillumbik (S)	23,383	\$62,678	\$2,680	-\$776	-\$18,146,478
Greater Shepparton (C)	30,793	\$74,577	\$2,422	-\$517	-\$15,933,445
Mildura (RC)	29,148	\$66,918	\$2,296	-\$391	-\$11,407,049
Ballarat (C)	52,342	\$110,387	\$2,109	-\$205	-\$10,704,656
Yarra Ranges (S)	65,390	\$135,042	\$2,065	-\$161	-\$10,510,411
Hume (C)	84,996	\$171,985	\$2,023	-\$119	-\$10,115,491
Greater Dandenong (C)	64,976	\$132,919	\$2,046	-\$141	-\$9,175,881
Wodonga (C)	19,364	\$44,947	\$2,321	-\$417	-\$8,069,518
Surf Coast (S)	21,929	\$49,632	\$2,263	-\$359	-\$7,869,401

Wyndham (C)	95,403	\$186,407	\$1,954	-\$49	-\$4,717,239
Baw Baw (S)	25,982	\$53,809	\$2,071	-\$167	-\$4,328,078
Strathbogie (S)	7,497	\$18,526	\$2,471	-\$567	-\$4,247,934
Swan Hill (RC)	11,957	\$26,703	\$2,233	-\$329	-\$3,931,432
South Gippsland (S)	19,597	\$40,968	\$2,091	-\$186	-\$3,646,610
Warrnambool (C)	17,140	\$35,831	\$2,091	-\$186	-\$3,189,271
Macedon Ranges (S)	22,576	\$46,042	\$2,039	-\$135	-\$3,047,010
Bayside (C)	45,209	\$89,144	\$1,972	-\$67	-\$3,045,881
Yarra (C)	53,570	\$105,008	\$1,960	-\$56	-\$2,987,145
Ararat (RC)	7,132	\$16,512	\$2,315	-\$411	-\$2,929,728
Manningham (C)	49,288	\$96,268	\$1,953	-\$49	-\$2,401,860
Brimbank (C)	77,565	\$150,003	\$1,934	-\$29	-\$2,285,051
Corangamite (S)	9,724	\$20,747	\$2,134	-\$229	-\$2,228,353
Moonee Valley (C)	56,052	\$108,953	\$1,944	-\$39	-\$2,205,510
Horsham (RC)	12,354	\$25,695	\$2,080	-\$175	-\$2,168,029
Mitchell (S)	20,129	\$40,382	\$2,006	-\$102	-\$2,047,091
Moira (S)	17,488	\$35,344	\$2,021	-\$117	-\$2,039,011
Latrobe (C)	38,620	\$75,350	\$1,951	-\$47	-\$1,800,056
Benalla (RC)	8,017	\$16,741	\$2,088	-\$184	-\$1,472,690
Campaspe (S)	20,642	\$40,718	\$1,973	-\$68	-\$1,406,518
Cardinia (S)	43,285	\$83,817	\$1,936	-\$32	-\$1,383,137
Wangaratta (RC)	15,517	\$30,738	\$1,981	-\$76	-\$1,186,939
Alpine (S)	8,712	\$17,772	\$2,040	-\$136	-\$1,180,518
Murrindindi (S)	9,830	\$19,798	\$2,014	-\$110	-\$1,076,893
Queenscliffe (B)	3,079	\$6,927	\$2,250	-\$345	-\$1,063,360
Buloke (S)	6,260	\$12,934	\$2,066	-\$162	-\$1,012,202
Moorabool (S)	16,586	\$32,359	\$1,951	-\$47	-\$772,270
Golden Plains (S)	10,918	\$21,518	\$1,971	-\$66	-\$725,634
Colac Otway (S)	15,299	\$29,507	\$1,929	-\$24	-\$371,294

Towong (S)	4,460	\$8,344	\$1,871	\$34	\$149,994
Mount Alexander (S)	11,854	\$22,365	\$1,887	\$18	\$209,863
Greater Bendigo (C)	58,322	\$110,486	\$1,894	\$10	\$585,166
Gannawarra (S)	6,759	\$12,205	\$1,806	\$99	\$666,726
Indigo (S)	8,662	\$15,694	\$1,812	\$93	\$802,571
Northern Grampians (S)	9,316	\$16,807	\$1,804	\$100	\$935,210
Southern Grampians (S)	10,958	\$19,706	\$1,798	\$106	\$1,162,595
Yarriambiack (S)	6,893	\$11,881	\$1,724	\$181	\$1,246,225
Hindmarsh (S)	5,154	\$8,350	\$1,620	\$284	\$1,465,443
Moyne (S)	12,100	\$21,535	\$1,780	\$125	\$1,509,147
Mansfield (S)	7,712	\$13,094	\$1,698	\$207	\$1,592,644
Pyrenees (S)	5,954	\$9,589	\$1,610	\$294	\$1,750,251
West Wimmera (S)	4,738	\$7,239	\$1,528	\$377	\$1,784,459
Frankston (C)	62,094	\$116,463	\$1,876	\$29	\$1,790,825
Melton (C)	56,761	\$106,156	\$1,870	\$34	\$1,941,941
Central Goldfields (S)	8,410	\$13,997	\$1,664	\$240	\$2,019,390
Hepburn (S)	11,184	\$19,262	\$1,722	\$182	\$2,037,256
Glenelg (S)	13,833	\$23,669	\$1,711	\$193	\$2,675,220
Wellington (S)	33,166	\$60,474	\$1,823	\$81	\$2,688,910
Bass Coast (S)	30,881	\$55,323	\$1,791	\$113	\$3,487,764
Loddon (S)	7,775	\$10,446	\$1,343	\$561	\$4,361,521
East Gippsland (S)	31,570	\$54,605	\$1,730	\$175	\$5,518,142
Banyule (C)	54,331	\$97,297	\$1,791	\$114	\$6,173,134
Kingston (C)	73,843	\$134,353	\$1,819	\$85	\$6,276,826
Moreland (C)	78,765	\$141,484	\$1,796	\$108	\$8,519,223
Maroondah (C)	49,748	\$84,651	\$1,702	\$203	\$10,090,923
Darebin (C)	70,183	\$122,810	\$1,750	\$155	\$10,849,612
Stonnington (C)	63,526	\$108,801	\$1,713	\$192	\$12,180,233
Knox (C)	66,760	\$113,637	\$1,702	\$202	\$13,503,874

Casey (C)	119,298	\$212,682	\$1,783	\$122	\$14,514,175
Greater Geelong (C)	122,742	\$218,295	\$1,778	\$126	\$15,459,627
Port Phillip (C)	72,126	\$121,119	\$1,679	\$225	\$16,240,149
Whittlesea (C)	84,164	\$143,823	\$1,709	\$196	\$16,462,592
Glen Eira (C)	65,675	\$103,263	\$1,572	\$332	\$21,811,062
Whitehorse (C)	73,431	\$111,652	\$1,520	\$384	\$28,193,205
Mornington Peninsula (S)	101,104	\$158,142	\$1,564	\$340	\$34,404,300
Monash (C)	79,017	\$116,012	\$1,468	\$436	\$34,471,360
Total	2,993,871	\$5,701,648			\$0
	State Average		\$1,904.44		
	Rate/Assessment				

10. Other Issues for Panel Consideration.

10.1 Rating Base

The use of Capital Improved Value (CIV) is generally accepted as an appropriate measure of capacity to pay in LGA rating systems. All Victorian LGAs currently have this option except the City of Melbourne which is governed by its own specific legislation. The City of Melbourne should be given the option of CIV under ownership-based assessment. Then all Victorian LGAs could have a consistent rating system.

This valuation base avoids the problems encountered in NSW and Queensland where land value is used. Examples of problems with the use of land value include large shopping complexes and apartment buildings. With CIV, the capital invested links directly to the potential customer/service demand generated and capacity to pay.

10.2 Cultural and Recreational Land Rate

Presently, the rates payable in respect of Cultural & Recreational Lands are determined in accordance with the Cultural & Recreational Lands Act 1963 which states that:

“..... in respect of recreational lands there shall be paid to the municipal council as rates in each year such amount as the municipal council thinks reasonable having regard to the services provided by the municipal council in relation to such lands and having regard to the benefit to the community derived from such recreational lands.”

The wording is arguably vague and difficult to consistently apply for LGAs.

Alternatively as Victorian LGAs have the option of differential rating under CIV it is questionable as to why there continues to be a need for a Cultural and Recreational Land Rate. Victorian LGAs already have flexibility in establishing differential categories.

The applicable CIV should be based on what is it fair and equitable for the relevant recreational land to pay in rates. This reasoning should be including in the proposed Rating Strategies addressed in Section 7.6 above.

The use of differentials would also be supported by allowing LGAs to adopt minimum and maximum Rates addressed in Section 7.4 above for example using a minimum rate which would allow a declining rate in the dollar for valuation bands.

The rationale for the current Cultural and Recreational Rate is not apparent and consideration could be given to removing this provision.

10.3 Municipal Charge

The rationale for the current Municipal Charge approach, including the 20% limit, is not apparent. This approach is not used in other jurisdictions. The LG Bill Exposure Draft proposed the limit be reduced to 10%.

The most common approach in other jurisdictions is to use a Base Charge to reflect, to some extent, the benefit principle i.e. where the distribution of benefits is not uniform, those who benefit more should contribute more. The option of using either a Base Charge or a Minimum Rate is also relatively common.

Similarly, the rationale for being able to claim an exemption from the Municipal Charge for farmland (under s. 159 of the Local Government Act 1989) is also not apparent and does not appear to exist in other jurisdictions in relation to base charges.

10.4 Waste Charge

Under section 162 of the Local Government Act, LGAs may elect to fund their waste services through either general rates, or by declaring a separate charge. The vast majority of Victorian LGAs utilise a separate charge in accordance with this provision. With increasing cost pressures related to managing municipal waste and recycling services, LGAs face an escalating challenge to fund these services. A range of factors including China National Sword impacts, heightened environment protection requirements, legacy landfill remediation costs and new laws such as the e-waste landfill ban mean LGAs have had to increase waste charges above CPI increases.

One of the key purposes of the State Government landfill levy and the Sustainability Fund is to support and strengthen Victoria's resource recovery system and to minimise the amount of waste sent to landfill. As at 30 June 2019, the balance of the Sustainability Fund was around \$406 million. The Victorian government should be investing this money into resource recovery infrastructure, market development and community education to enable a shift to a circular economy. This should happen as a matter of priority.

Introduction

Rates and charges underpin the funding of local government and its important services and infrastructure in Victoria.

With the exception of the Fair Go Rates system which was introduced in 2015, the structure of the rating system has not substantially changed in over a century.

The Victorian Government is both committed to the financial sustainability of councils and ensuring that the burden of rates falls fairly amongst all ratepayers.

In response to the Parliament of Victoria's Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils the Government has agreed to undertake an inquiry into the local government rating system to identify changes that will improve its fairness and equity. The Fair Go Rates system has helped improve the financial accountability of Victoria's 79 Councils and it has highlighted that the current rating system may be made more equitable, more efficient and more progressive.

The Minister for Local Government has determined to form a Panel for the Victorian Local Government Rating System Review (the Panel) to provide advice to the Minister in accordance with this Terms of Reference.

The Panel will be required to consult widely and report to the Minister by 31 March 2020.

Definitions

1. In these Terms of Reference-

Panel means the Ministerial Panel for the Victorian Local Government Rating System Review, established by the Minister for Local Government by these Terms of Reference.

Code of Conduct means the *Directors' Code of Conduct and Guidance Notes* issued by the Victorian Public Sector Commission¹;

Department means the Department of Environment, Water, Land and Planning or its successor.

Appointment and Remuneration Guidelines means the Government's *Appointment and Remuneration Guidelines*, as updated from time to time².

Member means a member of the Panel and includes a reference to the Chairperson unless the contrary intention is expressed.

Minister means the Minister for Local Government;

PAA means the *Public Administration Act 2004*;

Public sector employee has the meaning given in section 4(1) of the PAA.

Secretary means the Secretary to the Department.

¹ published at: <http://vpssc.vic.gov.au/resources/directors-code-of-conduct-and-guidance-notes/>

² available at: <http://www.dpc.vic.gov.au/index.php/policies/governance/appointment-and-remuneration-guidelines>

Establishment of Panel

2. The Minister establishes the Ministerial Panel for the Victorian Local Government Rating System Review under S. 220A of the *Local Government Act 1989* as a non-departmental entity from the date of these Terms of Reference. The establishment of the Panel was approved by Cabinet on 8 April 2019.
3. This Panel has been established to deliver the Victorian Government's commitment to "undertake an inquiry into the council rating system to identify changes that will improve its fairness and equity – this is to ensure that the burden of rates falls fairly amongst all ratepayers".

Role

4. The Role of the Panel is to provide advice to the Minister for Local Government regarding an optimal rating system for Victorian Local Government.
5. In performing its Role, the Panel is required to conduct a review of Victoria's local government rating system.

Scope of the Review

6. Examine the current application of rates and charges by local government in Victoria, including:
 - (a) Current local government rates and related charges including those made under the *Local Government Act 1989*, *City of Melbourne Act 2001* and *Cultural and Recreational Land Act 1963*;
 - (b) The interaction of the local government rating system with the taxation, valuation and other related systems of the Victorian Government (noting in particular the rating system related functions of the *Valuation of Land Act 1960*, *Fire Services Levy Property Act 2012*, *State Concessions Act 2004*, and *Electricity Industry Act 2000*);
 - (c) The current exemption and concession arrangements for rates applied by councils, including legislated exemptions, deferments, waivers, rebates and use of differential rates by councils;
 - (d) The autonomy of individual local governments to apply the rating system in accordance with their own decision-making circumstances, including the quality of council rating strategies and associated public consultation (noting the status, roles and responsibilities of local government as expressed by the *Victorian Constitution Act 1975* and *Local Government Act 1989*).
 - (e) Commonly accepted principles of taxation policy including equity, capacity to pay, simplicity, efficiency, sustainability and cross-border competitiveness, where they relate to or interact with the local government rating system.
7. Undertake research into the application of municipal rating and charging systems applied in other jurisdictions, including analysis of such systems' applicability to the Victorian local government context.
8. Consult with councils, peak bodies and other stakeholders and the community on the application of rates and charges by local government in Victoria.
9. Establish principles and priorities for the future application of local government rates and charges in Victoria
10. Provide formal advice to the Minister for Local Government on the optimal arrangements for local government rating and charging including legislative and non-legislative arrangements, recognising rates and charges are the primary own source revenue for councils. This should include an analysis of the impacts any recommended changes may have on councils, businesses, various classes of ratepayers and the community.
11. Provide advice to the Minister for Local Government on the impact of the local government rating system on other Victorian Government portfolios arising from any recommendations.

Out of scope

12. The elements of the local government rating system specific to the rate cap provisions under Part 8A of the *Local Government Act 1989*, which will be the subject of a statutory review by December 2021;
13. The adequacy of the taxation, valuation and other related systems of the Victorian Government, specifically the principal functions of the *Valuation of Land Act 1960*, *Fire Services Levy Property Act 2012*, *State Concessions Act 2004*, and *Electricity Industry Act 2000*); and
14. Other sources of funding for local government, such as State and Commonwealth grants.

Consultation

15. A consultation framework will be developed by the Department for approval by the Panel. This will step out the timing and methodology for broad-based consultation with stakeholders. The consultation will also involve consultation with councils, peak bodies, stakeholders and the community, including the opportunity for formal submissions and public hearings across Victoria.
16. Consultation methods may include but are not limited to face-to-face meetings with key stakeholders, workshops, telephone and online consultations, and a call for submissions. Consultation will also occur with relevant Government agencies including the Valuer-General Victoria.
17. The Panel may establish reference groups as deemed necessary.

Reporting

18. The Panel will be required to develop a discussion paper to guide stakeholder consultation. The paper must be submitted to the Minister for Local Government by a date to be determined by the Minister.
19. The Panel will be required to submit a draft report to the Minister for Local Government by a date to be determined by the Minister.
20. The Panel will be required to submit a final report to the Minister for Local Government at the conclusion of the review, no later than 31 March 2020.
21. The Chair may report informally to the Minister as deemed necessary or as requested by the Minister for Local Government.

Advisory Function of the Panel

22. The Panel is an advisory body, not a decision-making body.
23. The Panel's work is not necessarily about achieving consensus, but rather helping to inform Government's deliberations.

Application of the *Public Administration Act 2004*

24. Under section 5(1)(d)(iii)(A) of the PAA, the Panel is declared to be a "public entity" for the purposes of that Act.
25. Each member of the Panel must at all times act -
 - (a) in accordance with the Code of Conduct issued by the Victorian Public Sector Commission³; and
 - (b) in a manner that is consistent with the public sector values in section 7(1) of the PAA.
26. The relevant duties and requirements of sections 79 to 97 of the PAA apply to the Panel and the members, except where these Terms of Reference are more specific or stringent in nature than those in these sections.
27. The Panel and its members are taken to be a public body and its directors respectively for the purposes of these sections of the PAA. The Panel is also equivalent to a board of directors for the purposes of these sections.
28. The Panel must act consistently with the 'duties of directors' (Panel members) in section 79 of the PAA. These duties include:
 - (a) Performance of duties: act honestly; in good faith in the best interests of the agency; with integrity; in a financially responsible manner; with a reasonable degree of care, diligence and skill; and in compliance with the establishing Act and any subordinate instrument.
 - (b) Confidentiality: maintain confidentiality, even after your appointment expires or otherwise terminates.
 - (c) Use of information: avoid improperly using your position or any information acquired in your role as a Panel member to gain advantage for yourself or another person or to cause detriment to the agency.

Accountabilities

29. The Panel is subject to the general direction of the Minister in the performance of its functions.⁴

³ Note section 61 of the PAA

⁴ Note section 85(1) of the PAA

30. The Panel must provide its recommendations or advice as required by these Terms of Reference to the Minister by 31 March 2020.
31. Each member of the Panel is required to comply with these Terms of Reference, and each member's ongoing participation in the Panel is their implied acceptance of these Terms of Reference.

Membership

32. The Panel consists of the Chairperson and a maximum of two other members, appointed by the Minister.
33. The Panel is to be constituted by
 - (a) a member with skills and experience rural and/or regional issues and an understanding of the broad context of local government and its role, appointed by the Minister;
 - (b) a member with experience or expertise in local government rating and revenue systems and/or taxation systems, appointed by the Minister; and
 - (c) the Chairperson with experience in chairing and leading public reviews and inquiries and understanding of the broad context of local government and its role, appointed by the Minister.
34. A Member is appointed by the Minister for the term of office specified in his or her instrument of appointment.

Chairperson

35. The role of the Chairperson includes: direct and facilitate the business of the Panel;
 - (b) call Panel meetings;
 - (c) determine the agenda for each meeting in consultation with the Secretariat;
 - (d) may invite any individual to attend, observe and/or submit advice at a Panel meeting;
 - (e) preside at meetings, including maintaining order and guiding the meeting through the agenda;
 - (f) act as the contact person between the Panel and the Minister;
 - (g) present reports and recommendations from the Panel to the Minister;
 - (h) liaise with the Secretariat;
 - (i) assist the Panel to understand and carry out its role; and
 - (j) facilitate an orderly and constructive discussion between Members on matters within these Terms of Reference.
36. Subject to any direction provided by the Minister, the Chair is the sole spokesperson for the Panel.

Members

37. Each Member is responsible for:
 - (a) attending Panel meetings and contributing to the work of the Panel by preparing for meetings;
 - (b) notifying the Chair and the Secretariat before the meeting if the Member is unable to attend a meeting;
 - (c) adhering to principles of good governance and conduct.

Remuneration & Expenses

38. Subject to the Appointment and Remuneration Guidelines and these Terms of Reference, a member is entitled to receive remuneration for their service on the Panel as set out in their instrument of appointment.
39. A Member is entitled to the reimbursement of reasonable travelling and personal expenses directly related to their service on the Panel at the rates, and on the terms, that apply to employees of the Department.
40. Daily rates are set for the maximum payable for official duties on a given day. Where official duties equal or exceed four hours, the maximum daily rate will be paid. Official duties of less than four hours will be paid at half the daily rate.
41. Official duties include:
 - a. attendance at, and participation in, meetings with stakeholders and consultation with the public relevant to the role of the panel; and
 - b. preparation of the report, either as individual Panel members or collectively as the Panel panel meetings and stakeholder meetings.
42. Participation in activities considered relevant to the role of a panel member may be eligible for remuneration subject to approval by the Minister for Local Government.

43. Panel Members may apply in writing to the Minister for Local Government if further remuneration is required above these caps.

Removal from office and resignation

44. The Minister, without cause or notice, may remove a member from office at any time and for any reason or for no reason at all.
45. Upon a vacancy occurring in the office of a member, the vacancy may be filled by the Minister in accordance with these Terms of Reference.

Meeting Procedure

46. The Panel is expected to meet at the determination of the Chairperson, as often as required.

Minutes

47. The Chairperson must –
- (a) ensure that minutes of each meeting are kept;
 - (b) circulate the minutes for comment by members before being formally adopted at the next meeting; and
 - (c) provide the adopted minutes to the Panel Secretariat.

Conflicts of Interest

48. In these Terms of Reference:
- (a) a **'conflict of interest'** is a conflict between a member's public duty to act in the best interests of the Panel and their private interests. It includes a **conflict of duty**, which is a conflict between a member's public duty to act in the best interests of the Panel and their duty to another organisation (e.g. due to their role as a Panel member or employee of that organisation).
 - (b) A private interest:
 - may be **direct** or **indirect**; and
 - can be **pecuniary** (financial) or **non-pecuniary** (non-financial), or a mixture of both. A non-pecuniary interest may arise from personal or family relationships or from involvement in sporting, social, or cultural activities, etc.
 - (c) A conflict of interest exists whether it is:
 - **real** (ie. it currently exists);
 - **potential** (ie. it may arise, given the circumstances); or
 - **perceived** (ie. members of the public could reasonably form the view that a conflict exists, or could arise, that may improperly influence the member's performance of his/her duty to the Committee, now or in the future).
49. A member who has a conflict of interest in a matter being discussed at a meeting of the Panel must declare the nature of the interest:
- (a) at the commencement of a meeting; or
 - (b) if they become aware of an interest during discussions, as soon as possible after becoming aware of the interest.
- A declaration must be made even if the interest is already recorded in the Panel's Register of Interests.
50. The Chairperson or member presiding at a meeting at which a declaration of an interest is made must cause the declaration and how the conflict of interest will be managed to be recorded in the minutes of the meeting.
51. The Chairperson must keep a record of declared interests (the Register of Interests). Any member may request and be granted access to this Register of Interests.
52. If a Panel member has breached their conflict of interest obligations in these Terms of Reference, the Chairperson must notify in writing the Ministers as soon as practicable after becoming aware of such a breach, including whether the breach is material.

Gifts Benefits & Hospitality

53. The Panel will adopt the Departmental policy on *Gifts, benefits and hospitality*.

Confidentiality

54. Members should note that the requirements of sections 79(2) & (3) and 81(1)(c) of the PAA in regard to confidentiality and use of information applies to them. The Minister may authorise the Panel to release specified information to third parties.
55. On the termination or expiry of a member's appointment, the member must return all documents relating to the Panel to the Chairperson.

Privacy

56. The Panel must have processes in place to ensure that its members, in the course of their duties on the Panel, comply with the requirements imposed by or under the *Privacy and Data Protection Act 2014*.⁵

Intellectual Property

57. The rights to Intellectual property created by the members of the Panel in the course of their duties on the Panel, including any reports required under these Terms of Reference, is the property of the State of Victoria. However, the Minister on behalf of the State grants the Panel a licence to use this property as authorised under these Terms of Reference. In this clause, Intellectual property includes legal rights that protect the results of creative efforts including copyright, proprietary rights in relation to inventions (including patents), registered and unregistered trademarks, confidential information (including trade secrets and know how), registered designs, circuit layouts, and all other proprietary rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields, but does not include moral rights.

Media

58. Any enquiries to the Panel from the media should be referred to the Chair (via the Secretariat).
59. A Member who is approached by the media in relation to the work of the Panel should not discuss the Panel's deliberations or work program and should refer the enquirer to the Chair.
60. The Panel will adopt the Departmental policy on Social Media

Secretariat support to the Panel

61. Administrative support to the Panel will be provided by the Department.
62. Day to day liaison for the Panel will be through the Director – Sector Performance, Innovation and Resilience, Local Government Victoria, or his or her nominee.
63. Support provided by the Secretariat includes:
 - a. organising meeting rooms;
 - b. taking minutes;
 - c. preparing and distributing agendas for Panel meetings, in consultation with the Chair, including any meeting papers;
 - d. organising stakeholder consultation meetings;
 - e. managing the public consultation online portal;
 - f. compiling stakeholder submissions for the panel to review;
 - g. arranging travel and accommodation where Panel members are required to attend meetings at regional locations;
 - h. overseeing the budget for the Review;
 - i. conducting research and providing advice to the Panel;
 - j. procurement of external expert analysis and advisory services as required by the Panel on areas within the scope of the review;
 - k. assisting in drafting reports; and
 - l. other administrative support (e.g. processing claims for reimbursement of remuneration and expenses);
64. The Secretariat will disseminate information and papers to members in an efficient and effective manner.

⁵ Note that this Act applies to the Panel as it is a public entity as defined in the PAA and is therefore a public sector agency for the purposes of the *Privacy and Data Protection Act 2014*.

65. The costs of the Panel will be met by the Department.

Entity review, sunset date & amendments

66. The Panel will operate until 31 May 2020.

67. The Minister may amend these Terms of Reference in writing at any time.

68. The Minister may revoke these Terms of Reference in writing at any time and upon revocation of these Terms of Reference the Panel ceases to exist.

Hon. Adem Somyurek MP
Minister for Local Government

LGA	Rateable Assessments 2017/18	Area Sq Kms	Population	Rates & Charges 2017/18 \$000	Garbage Charges 2017/18 \$000	Rates Revenue 2017/18	CIV 2018
Alpine (S)	8,712	4,787	12,730	17,772,000	3,202,830	14,569,170	2,771,400,200
Ararat (RC)	7,132	4,210	11,795	16,512,195	1,997,663	14,514,532	2,375,881,500
Ballarat (C)	52,342	739	107,325	110,326,166	15,935,142	94,391,024	17,987,029,722
Banyule (C)	54,331	63	130,237	99,031,353	2,123,598	96,907,755	39,570,669,200
Bass Coast (S)	30,881	865	35,327	55,323,250	9,477,145	45,846,105	11,820,656,960
Baw Baw (S)	25,982	4,031	52,015	53,809,240	7,771,514	46,037,726	10,167,966,000
Bayside (C)	45,209	37	105,718	89,143,713	10,017,345	79,126,368	58,382,560,000
Benalla (RC)	8,017	2,352	14,024	16,740,586	2,459,131	14,281,455	2,491,870,400
Boroondara (C)	77,236	60	181,289	177,231,000	22,436,000	154,795,000	107,887,355,788
Brimbank (C)	77,565	123	208,714	149,843,361	26,500,366	123,342,995	38,673,175,704
Buloke (S)	6,260	8,001	6,184	12,933,997	1,308,306	11,625,691	1,392,766,100
Campaspe (S)	20,642	4,518	37,592	39,867,340	5,837,624	34,029,716	6,839,219,700
Cardinia (S)	43,285	1,282	107,120	83,816,826	11,689,392	72,127,434	19,614,102,637
Casey (C)	119,298	409	340,419	213,982,563	32,173,584	181,808,979	57,433,366,251
Central Goldfields (S)	8,410	1,532	13,209	13,996,951	2,473,702	11,523,249	1,773,648,000
Colac Otway (S)	15,299	3,439	21,503	29,507,323	2,898,982	26,608,341	5,849,395,000
Corangamite (S)	9,724	4,408	16,140	20,792,554	1,585,676	19,206,878	4,763,750,500
Darebin (C)	70,183	53	161,609	122,809,706	0	122,809,706	47,100,536,761
East Gippsland (S)	31,570	20,937	46,818	54,239,119	6,927,903	47,311,216	9,605,250,000
Frankston (C)	62,094	130	141,845	116,493,403	22,679,632	93,813,771	27,918,568,000
Gannawarra (S)	6,759	3,736		12,205,384	1,788,059	10,417,325	1,548,560,800

			10,547				
Glen Eira (C)	65,675	39	153,858	103,856,077	14,206,659	89,649,417	60,398,304,649
Glenelg (S)	13,833	6,218	19,665	25,878,194	2,258,896	23,619,297	4,104,568,000
Golden Plains (S)	10,918	2,703	23,120	21,518,311	2,154,853	19,363,458	4,270,820,000
Greater Bendigo (C)	58,322	2,999	116,045	110,542,254	16,294,423	94,247,831	20,502,223,400
Greater Dandenong (C)	64,976	130	166,094	132,918,779	16,519,761	116,399,019	39,372,636,578
Greater Geelong (C)	122,742	1,248	252,217	218,295,159	30,284,059	188,011,100	53,695,487,552
Greater Shepparton (C)	30,793	2,421	66,007	74,576,868	9,501,764	65,075,103	9,706,256,600
Hepburn (S)	11,184	1,473	15,812	19,262,002	2,532,572	16,729,430	4,269,262,000
Hindmarsh (S)	5,154	7,524	5,645	8,350,041	874,573	7,475,468	1,241,013,700
Hobsons Bay (C)	41,768	64	96,470	102,669,095	6,884,861	95,784,235	28,631,303,567
Horsham (RC)	12,354	4,266	19,875	25,695,482	2,891,721	22,803,761	4,127,042,000
Hume (C)	84,996	504	224,394	171,985,280	2,559,168	169,426,112	36,129,710,700
Indigo (S)	8,662	2,040	16,490	15,693,689	2,796,339	12,897,350	2,901,104,700
Kingston (C)	73,843	91	163,431	134,352,743	12,197,461	122,155,282	53,310,804,024
Knox (C)	66,760	114	163,203	113,636,545	15,857,062	97,779,483	42,265,614,091
Latrobe (C)	38,620	1,426	75,211	75,349,532	11,049,534	64,299,997	10,973,492,001
Loddon (S)	7,775	6,695	7,513	10,445,501	1,282,460	9,163,041	1,746,756,400
Macedon Ranges (S)	22,576	1,748	49,388	45,826,647	5,839,645	39,987,002	11,849,804,450
Manningham (C)	49,288	113	125,508	96,267,903	10,830,703	85,437,200	48,353,963,000
Mansfield (S)	7,712	3,843	8,979	13,094,398	3,039,667	10,054,731	3,163,882,447
Maribyrnong (C)	40,298	31	91,387	96,335,000	893,539	95,441,461	27,658,707,272
Maroondah (C)	49,748	61	117,498	84,651,000	11,652,000	72,999,000	32,294,459,291
Melbourne (C)	113,551	37	169,961	271,273,184	0	271,273,184	109,185,105,222

Melton (C)	56,761	527	156,713	106,155,982	12,203,977	93,952,005	25,036,211,400
Mildura (RC)	29,148	22,107	55,515	66,917,669	8,391,973	58,525,696	8,107,638,300
Mitchell (S)	20,129	2,862	44,299	40,277,188	5,036,635	35,240,553	7,526,097,000
Moira (S)	17,488	4,046	29,799	35,343,859	3,505,783	31,838,076	5,526,575,000
Monash (C)	79,017	81	200,077	116,021,871	0	116,021,871	73,053,004,500
Moonee Valley (C)	56,052	43	127,883	108,953,185	9,026,642	99,926,543	42,236,553,000
Moorabool (S)	16,586	2,110	34,158	32,359,313	4,256,345	28,102,968	6,430,265,000
Moreland (C)	78,765	51	181,725	141,484,000	13,299,957	128,184,043	49,829,460,000
Mornington Peninsula (S)	101,104	724	165,822	158,142,209	19,735,854	138,406,355	65,972,554,000
Mount Alexander (S)	11,854	1,529	19,514	22,365,370	4,004,511	18,360,860	4,420,644,500
Moyne (S)	12,100	5,482	16,887	21,534,578	3,085,341	18,449,237	6,143,630,958
Murrindindi (S)	9,830	3,878	14,478	19,797,539	2,901,408	16,896,131	4,141,915,500
Nillumbik (S)	23,383	432	64,941	62,678,000	8,329,000	54,349,000	20,109,586,000
Northern Grampians (S)	9,316	5,726	11,431	16,806,554	2,531,455	14,275,099	2,102,583,000
Port Phillip (C)	72,126	21	113,200	121,119,496	300,031	120,819,465	59,376,441,000
Pyrenees (S)	5,954	3,434	7,353	9,588,785	1,194,131	8,394,654	1,736,226,000
Queenscliffe (B)	3,079	9	2,982	6,927,131	823,788	6,103,343	2,734,370,025
South Gippsland (S)	19,597	3,299	29,576	40,967,922	2,830,778	38,137,144	7,534,768,550
Southern Grampians (S)	10,958	6,654	16,135	19,706,259	1,761,002	17,945,257	3,380,642,000
Stonnington (C)	63,526	26	116,207	108,801,227	19,447,000	89,354,227	80,071,476,000
Strathbogie (S)	7,497	3,302	10,645	18,525,521	2,228,235	16,297,286	2,874,729,000
Surf Coast (S)	21,929	1,553	32,251	49,631,868	6,745,021	42,886,847	14,599,222,100
Swan Hill (RC)	11,957	6,120	20,759	26,702,822	2,983,604	23,719,218	3,678,603,300

Towong (S)	4,460	6,674	6,054	8,343,809	1,241,970	7,101,839	1,383,759,107
Wangaratta (RC)	15,517	3,644	29,087	30,738,136	5,310,686	25,427,451	5,019,906,000
Warrnambool (C)	17,140	121	34,862	35,831,373	4,747,063	31,084,311	6,361,955,436
Wellington (S)	33,166	10,817	44,019	60,473,750	3,870,644	56,603,106	10,851,540,600
West Wimmera (S)	4,738	9,106	3,862	7,238,778	485,458	6,753,320	1,780,503,300
Whitehorse (C)	73,431	64	176,196	111,747,142	0	111,747,142	65,482,718,000
Whittlesea (C)	84,164	490	223,322	143,822,703	0	143,822,703	41,927,295,665
Wodonga (C)	19,364	433	41,429	44,947,096	8,466,191	36,480,905	5,972,219,400
Wyndham (C)	95,403	542	255,322	186,406,535	20,143,005	166,263,530	44,366,755,204
Yarra (C)	53,570	20	98,521	105,008,000	51,830	104,956,170	49,439,000,484
Yarra Ranges (S)	65,390	2,465	158,173	135,121,237	15,781,810	119,339,427	33,328,812,500
Yarriambiack (S)	6,893	7,326	6,658	11,881,080	1,074,626	10,806,454	1,879,555,600
TOTAL	2,993,871	227218	6,459,786	5,711,219,701	\$ 569,481,067	\$5,141,738,633.40	\$1,850,537,268,296
					Average Rate in		
					\$	0.00277851125804886	