

Submission to the Local Government Rating System Review

Submitted by Moonee Valley City Council

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<https://engage.vic.gov.au/rating-review/rating-review-local-government-submissions>

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Introduction

Moonee Valley City Council is pleased to have the opportunity to provide feedback to the Local Government Rating System Review.

We welcome the Review as an important opportunity to review how fairness and equity principles are exercised in the application of rates and fees across Victoria. Achieving this outcome whilst also delivering all of the services and facilities required by a growing population is a delicate but crucial balance.

About the City of Moonee Valley

Moonee Valley is located in the inner and middle north-western suburbs of Melbourne, between four and 13 kilometres from the CBD. Approximately 128,000 people call Moonee Valley Home. This is forecast to grow to 177,000 by 2041. While our community is ageing, there will also be more young professionals and a regeneration of families by 2040.

Almost one-third of our population was born overseas, and around 30 per cent speak a language other than English at home. While diversity is a major strength for Moonee Valley, health and wellbeing outcomes can be quite different for different groups. Moonee Valley can be described as a 'tale of two cities', with those who are relatively advantaged and disadvantaged living in close proximity. Our municipality has eight of the top 24 most disadvantaged small areas in Victoria in terms of socio-economic disadvantage. We also have the third-highest proportion of social housing dwellings in Victoria, with major housing estates in Flemington and Ascot Vale. Both are slated for major improvement as part of the Victorian Government's Public Housing Redevelopment program.

We also have a strong economy, with more than 38,000 jobs across the municipality, and Moonee Valley is home to major employment precincts including Essendon Fields/Essendon Airport. However, these work opportunities are not equal for everyone.

In 2018, Moonee Valley published our long-term plan, MV2040, which guides how we will make Moonee Valley a great place to live for current and future generations. Under this Strategy, we're working toward a Moonee Valley which is Fair, Thriving, Connected, Green and Beautiful.

We define a Fair city as one that values diversity, where everyone feels safe, is included, is healthy and has access to services and housing. With Fairness comprising one of the five key themes of our long-term plan, we strongly support the fairness and equity principles of this Review and look forward to its findings.

Submission

Local Governments have been supplied with a number of questions composed under nineteen sub-headings, which we have been asked to respond to in contributing to this submission process. You may find our responses to these questions, below.

1. How regularly does your council assess occupancies for each of the non-rateable exemptions under s154 of the *Local Government Act 1989* (the Act)?

Council assesses occupancies annually as part of the revaluation process.

What policy criteria do you apply?

Council has an adopted Rating Strategy, the purpose of which is to consider how the rate burden can be most equitably be distributed. In general, Council will determine the non-rateability of a property based on the various sub-sections contained in s.154 of the *Local Government Act*.

Further information on the Rating Strategy is provided in response to Question 2.

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

- Crown Land - \$76,418
- Land used for public or municipal purposes - \$5,793,606
- Land used for charitable purposes - \$394,073
- Land used for religious bodies - \$593,406.

2. What rates and charges does your council declare?

Council declares general rates, a municipal charge, and garbage charges (a garbage charge, and a green waste services charge).

Do you have a revenue and rating strategy to help determine rates and charges under s155 of the Act?

Council has adopted a Rating Strategy 2018-19, which covers a period of two calendar years. The purpose of this Rating Strategy is to consider what rating options are available to Council under the Act, and how Council chooses to apply these options in meeting an equitable rating strategy.

The Strategy canvasses the following:

- The consideration of uniform rating versus the application of differential rates for various classes of property;
- The most equitable level of differential rating across the property classes;
- Consideration of the application of fixed service charges for the areas of waste collection and municipal administration;

- The application of special rates and charges; and
- A review of the rate payment dates and options available to Council.

The Strategy also sets out the four key principles which form the basis of the current approach to rating at Moonee Valley City Council, which are:

- Rating on an ad-valorem basis (i.e. based on the valuation of the property)
- Operation of a differential rating system to ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the Council
- Application of a Municipal Charge to cover some of the administrative costs to Council
- Application of a service charge to fully recover the cost of the collection and disposal.

By adopting a Rating Strategy, we have been able to document our objectives and approach to the raising of rate revenue in a way that provides transparency and accountability in our decision-making to residents. In the Strategy we note that “the issue of equity must be addressed in the rating strategy, and this strategy has paid careful attention to this aspect.”

You can find a copy of our current Rating Strategy here: https://www.mvcc.vic.gov.au/-/media/Files/Finance/Budget/18-19-Budget/18-164977--Rating-Strategy-2018_19.ashx?la=en

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

The community is able to provide feedback on rates and charges during the annual Budget consultation period. In 2019, Council offered the community an opportunity to provide feedback through a dedicated YourSay page at: <https://yoursay.mvcc.vic.gov.au/budget>. Public consultation on the proposed Budget opened on 10 April 2019 and closed on 10 May 2019. Submissions were considered at a Special Meeting of Council on 28 May 2019. A total of 39 formal submissions were received as well as 2 informal submissions. None of the submissions received specifically referred to rates.

Council also conducts an annual community survey which includes a question about rates. In 2019, our community survey was sent to 6,042 randomly selected households within the City of Moonee Valley and we received 994 valid responses. The question asked residents to indicate their preference for service cuts or a rate rise. The response indicated that residents are more likely in 2019 to prefer a rate rise over service cuts, than they have been in previous years:

Preference for service cuts or a rate rise

Figure 47 shows that 42 per cent of respondents prefer a rate rise²⁰, compared to 35.1 who would prefer a service cut.

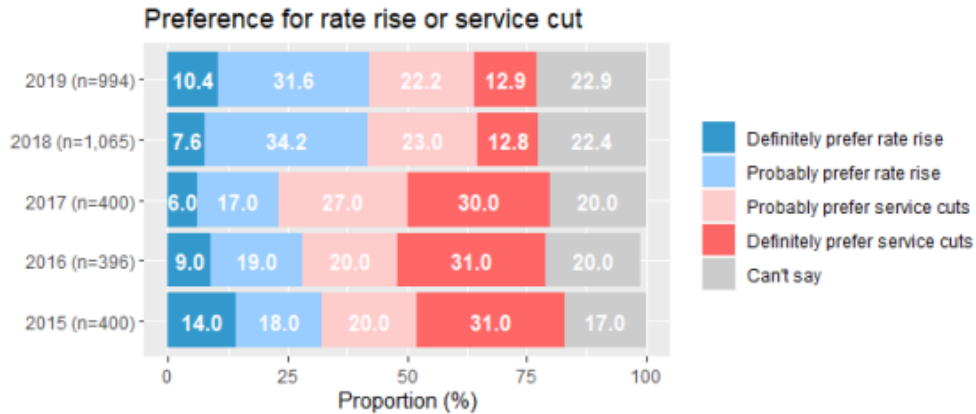


Figure 47: Preference for a rate rise or service cut

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

Council declares the municipal charge to cover some of the administrative costs to council. The application of the municipal charge represents a choice to raise a portion of rates by a flat fee for all properties, rather than sole use of the CIV valuation method.

The total revenue received from the municipal charge in a financial year must not exceed 20 per cent of the combined sum of Council's total revenue from the municipal charge and general rates. It is charged on every rateable property. The amount is incrementally increased each year in line with the rate cap.

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

No exemptions are applied for municipal charges.

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

This has never occurred.

What are the problems that you have experienced issuing notices under s156 (3)?

Council has not experienced any significant problems issuing notices under s156 (3).

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

Council issues a separate notice for Special Rates and Charges.

What are the challenges of providing prescribed information on rate notices?

Because Council issues the annual rate notice and the special rates and charges notice separately, we find that there is sufficient space on each notice to include all the relevant data and information. As such, we do not experience any significant challenges in providing the information as prescribed.

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

Council applies differential rates. These are as follows:

- Residential land, including flats and units, and vacant residential land is charged under the residential rate
- Cultural and recreational land is charged under the cultural and recreational land rate. The land is valued using the same calculation principles as residential land. A 95 per cent discount is then applied on all Category 1 Cultural and Recreational Land properties. Category 2 Cultural and Recreational Land Properties that are licensed gaming venues receive no discount.
- Commercial and industrial land is charged under the non-residential land rate, at 1.23 times the residential land rate.

What criteria does your council use in their application?

The application of differential rates is based entirely on the property classification.

What evidence does your council consider when determining the rates in the dollar for your differential rating categories?

The application of differential rates is in line with our Rating Strategy, and based on the property classification. No other evidence is considered.

Does your council consider what services should be paid for with other income (e.g. municipal/service/special charges)?

Under Section 159 of the Act, Council may declare a municipal charge to cover some of the administrative costs of Council. The legislation is not definitive in terms of what comprises administrative costs, and does not require Council to specify what is covered by the charge.

Each property receiving a Council collection service is currently charged depending on the service utilised:

- A 120L or 240L General waste bin and or A 120L or 240L recycling bin
- • A 240L General waste bin for Non-Residential industrial /Commercial properties
- • A 240L Green Waste service for non-pensioners and a discounted service for pensioners.

In 2019/20, Council's standard garbage charge is \$179 per property. Households that elect to use the fortnightly collection of a green waste service are charged an additional \$67.70. Eligible pensioners who already receive the State Government rate rebate are charged \$40.80 for green waste services.

The service charge also funds hard waste collection (where available), street and beach cleaning, litter bins, kerbside recycling, the State Government landfill contribution levy and waste education programs.

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

One of the main administrative issues that we experience relates to commercial tenancies where the landlord has not informed us of a change of tenant. This leads to Council charging the owner for special rates and charges, with the owner then sending the charge to their tenant.

Another issue is where the business district may have altered for any reason and this information has not been referred back to the rates team on an annual basis. Most of the schemes are contracted on a rolling three year cycle, but tenancies can change monthly depending on the business.

7. Please describe the payment options your council makes available to ratepayers?

Council uses the EasyWay Payment Plan system to process rates payments. Ratepayers are able to pay their rates:

- In person at an Australia Post outlet;
- Using Bpay;
- By credit card over the phone;
- Online;
- In person at Council's Civic Centre, in Moonee Ponds.

Do you provide other payment options (in addition to offering a choice between paying in four instalments or in a lump sum)?

Currently we only offer the option to pay in four instalments.

Do you provide any incentives for payment of rates such as early payment? What are they?

We do not offer any incentives for payment of rates.

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

A \$20 concession is available for pensioners beyond those concessions already provided by the State Government.

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

Our criteria for assessing pensioner concessions is the same as the State Government's criteria.

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

Approximately \$160,000.

How do you monitor and report on the community benefits?

We currently don't separately report on the benefits of rating concessions in our reporting of rates.

Each year, we undertake a range of communications to let ratepayers know when their rates notice is going to be issued and some of the highlights of our Council budget. In 2019, this included AdShel displays around the municipality which highlighted Council expenditure on waste and on family and children's services:

Of each \$100 that Council spends

\$16.85

goes to family and children's services



Find out how the rest is used
mvcc.vic.gov.au/yourrates

f t i /mooneevalleycc



City of
Moonee Valley

Of each \$100 that Council spends

\$10.36

goes to waste collection
and street cleaning



Find out how the rest is used
mvcc.vic.gov.au/yourrates

f t i /mooneevalleycc



We also include a full-page article in our Valley View magazine, which is delivered to every property in the municipality every two months:

Budget adopted

How is the budget calculated?

Council takes many months to work out how much money is needed to support our community, guided by the priorities in our Council Plan.

We work hard to strike a balance between:

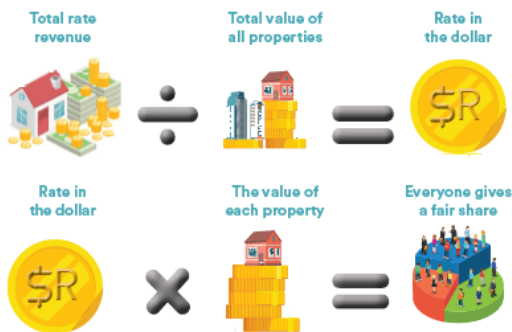
- continuing to deliver the services you need (over 200)
- maintaining current assets such as roads, buildings and parks
- planning for the future by investing in new assets.

Our Annual Budget 2019/20 was adopted in June. This year, we've made a big investment in capital works – our largest ever at \$64.7 million. This funding will allow us to refresh ageing facilities and build new ones, such as the East Keilor Leisure Centre and Flemington Community Hub.

How does rate capping work?

Rate capping means that Council's total rates revenue can't go up more than 2.5 per cent from last year. It does not apply to individual notices, so yours may be more or less depending on how your annual property valuation compares to others.

How are rates calculated?



"The State Government's rate cap has placed significant pressure on Council. Our challenge is finding the right balance between continuing to provide services, maintaining existing assets and building new ones. To ensure long-term financial sustainability, we aim to save \$2.5 million each year in operating costs, which we will allocate to renewing community assets." *Cr Narelle Sharpe*

Myths busted

MYTH: If house prices go up/down, my rates will also go up/down.

BUSTED: Valuations don't mean a set rate amount. They determine the proportion of rates you pay compared to other house owners.

As an example, just imagine that last year the rates revenue needed to support the community was \$100.

House A paid 30 per cent (\$30)
 House B paid 50 per cent (\$50)
 House C paid 20 per cent (\$20)

This year, the rates revenue required is \$102.50. Each house increased in value by 10 per cent. This doesn't mean the houses will pay 10 per cent more in rates, it means House A still pays 30 per cent of the total (now \$30.75), House B pays 50 per cent (\$51.25) and House C pays 20 per cent (\$20.50).

MYTH: Councils get more money when house prices go up.

BUSTED: Revaluation of your property won't increase the total amount of rate revenue we collect (this is capped at a 2.5 per cent increase from last year), instead it helps us work out how much you should pay compared to others.

MYTH: Councils gets more money in rates each year when developments are built on land that used to have only one home.

BUSTED: If a new house is built and a valuation occurs in between the general valuations, Council will receive the new rates for that property at that time, but going forward, building more houses means we can spread the required rates revenue across more properties, so each property will pay less than before.

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The rates notice itself is accompanied by a message from the Mayor, which provides highlights from Council's Budget. On our website, we provide a breakdown of how every \$100 is spent on average, together with a range of other information about the rating process:

<https://www.mvcc.vic.gov.au/rates>.

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

Yes. Council has a financial hardship policy, which is used to provide assistance to ratepayers experiencing difficulty in paying their rates and charges. Council considers each case on its merits when considering assistance.

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

The total amount of rates and charges currently deferred is \$280,000.

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

Our policy – which is that we do not waive rates and charges - is contained within our Rating Strategy.

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

Council does not ever waive rates and charges levied on a property. In line with our financial hardship policy, we will occasionally waive interest accumulated on outstanding rates but only where special circumstances have been established.

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

Yes, Council does raise the declared amount for unpaid rates and charges.

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

One of the most significant issues is around information from landlords becoming outdated and as a result, rates being charged to owners who may have sold their properties.

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

The application of rates to land that is becoming, or ceasing, to be rateable occurs during the supplementary valuation process. We have not experienced any significant issues of concern in relation to this process.

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

On average, 4,500.

For each of these years, what was the total income for these occupancies?

Approximately \$1 million.

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

Council has an internal Payment Assistance Policy/Financial Hardship Policy to guide our response to unpaid rates and charges. This policy recognises that where a person finds themselves in a situation where they are unable to pay their rates, for the Council to insist on any amounts outstanding to be paid in full by the due date would have the potential to exacerbate their financial situation as well as create additional psychological stress and anxiety. The purpose of this policy is to give individuals the opportunity to present their case and to ensure they are treated in a consistent, equitable and confidential manner.

The policy outlines the approach we will take to establish hardship and what potential approach might apply in response, for example, deferment.

If you do not, how do you treat ratepayers that live in their properties?

Our Financial Hardship Policy extends to all rates and sundry debtors who are in a position where they owe payment to Council for rates, charges or services. It does not cover businesses, corporations or investment properties. In our correspondence, we are empathetic with resident ratepayers and endeavour to best assist those experiencing financial hardship, wherever possible.

Do you treat non-residential properties differently?

Yes, non-residential properties are treated differently, in that they are not eligible to be considered under the financial hardship policy.

Annually, over the past 5 years, how many ratepayers have you issued complaints on for unpaid rates and charges and to what total value?

A total of 200 ratepayers have been issued complaints for unpaid rates and charges over the past 5 years.

What amount of interest do you charge on unpaid rates and charges? Do you raise the amount declared under the *Penalty Interest Rates Act 1983* of 10 per cent?

As per our previous response to question 11, Council does charge the full 10 per cent in line with the *Penalty Interest Rates Act 1983*.

Do you have any additional administration fees and charges for managing ratepayers with unpaid rates and charges?

We do not charge any additional administration fees and charges. However, if the matter escalates such that our debt collection agency is required to take legal action to recover unpaid rates, this may of course result in additional charges to the individual.

What type of collection activities do you use to recover unpaid rates and charges?

Any amount outstanding which is greater than \$1,500 at year's end is referred on to our collection agency, ML&C Collections, to recover on council's behalf. Any amounts less than \$1,500 are managed internally. Prior to referring any outstanding amount to ML&C Collections, council would have already sent four instalment notices, one reminder notice, one SMS, and a final notice. As such, we make multiple attempts to avoid collections action against the ratepayer.

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

Within Council's rating strategy, we do make note of the fact that Council is empowered to sell land in accordance with Section 181 of the Act if an amount payable by way of rates has been in arrears for three years or more. Beyond this notice, there is no policy currently in place.

If no policy exists, how do you apply the relevant legislation?

Council observes the steps laid out in Sections 181(5) and 181(6) of the Act.

Do you apply the same approach regarding selling land where ratepayers live in their property?

No. Council would never sell a property if the ratepayer was still living in it.

Annually, over the past 5 years, how many times have you undertaken this process?

Fortunately, we have not been required to undertake this process over the past five years.

How many properties have you sold?

N/A

How much has this cost, per instance?

N/A

How many times have you claimed land instead of selling land?

Council has never claimed land instead of selling land.

How much did this cost, per piece of land?

N/A

What issues have you encountered when selling or claiming land?

N/A

16. What issues have you encountered in providing information for Land Information Certificates?

We have encountered no specific issues in providing information for Land Information Certificates.

Do you provide any updates (verbal or otherwise) to ratepayers/would-be ratepayers for these certificates?

No, we do not.

Have you experienced any privacy issues in providing updates? If so, what were they?

No, we have not.

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

Council's application of the *Cultural and Recreational Lands Act* is summarised in our Rating Strategy.

Our Cultural and Recreational Land rate category is applied at 1.00 times the Residential Rate. We then apply a 95 per cent discount on all Category 1 Cultural and Recreational Land properties. Category 2 Cultural and Recreational Land Properties that are licensed gaming venues do not receive a discount.

The decision to increase the rebate for Category 1 Cultural and Recreational Lands from 60 per cent to 95 per cent was reached by Council in 2015/16. This has been warmly welcomed by community and sporting groups.

How many occupancies in your municipality are categorised as cultural and recreational lands?

Thirty-five occupancies in the City of Moonee Valley are categorised as cultural and recreational lands.

Annually, over the past 5 years, how much have you received in lieu of rates in relation to cultural and recreational property?

Approximately \$300,000 per year.

How much would you receive if you were to assess these properties under your normal rates?

Approximately \$480,000 per year.

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

None.

How much revenue do you collect and approximately how much is forgone as result (compared to rating under the *Local Government Act 1989*)?

N/A

19. Other questions

How many public enquiries on rates do you receive each year?

Council receives over 500 enquiries each year in relation to rates.

What are some common themes of those inquiries?

Common themes include:

- incorrect mailing address
- interest charges
- pension claims

- valuations enquiries which arise as a result of individuals being charged land tax fee by the State Revenue Office.

What software do you use to administer your rating system?

Council uses the Pathway system.

What is the estimated annual hardware/software cost to maintain rates using this system?

The estimated annual cost of using this system is \$220,000.

How many staff do you employ to administer rates and charges?

Council employs seven staff to administer rates and charges.

What is the total FTE and costs for the rating and revenue function in your council?

The total FTE allocated to the rating and revenue function is 6.8FTE. The total cost is \$667,306.

Other Comments

Grants Revenue

In the Discussion Paper, it is noted that Council revenue is supplemented by a range of other charges, fees and government grants, notably the Commonwealth Government's Financial Assistance Grants. The Discussion Paper notes that 16 per cent of Local Government Revenue in 2017-18 was comprised of grants income.

In 2018-19, grants funding comprised 12.98 per cent of the City of Moonee Valley's revenue. According to the Australian Local Government Association (ALGA) website, nationally local government derives only 10 per cent of its revenue from grants. It is important to note that the figure as provided in the Discussion Paper comprises an average across the State, not a figure which is consistent across all Councils. Grants are not a reliable source of income; eligibility and availability varies from year to year. For a range of reasons, some Councils will be more successful than others in obtaining financial support through grant funding. Many of these reasons (for example, the political environment) are outside of Councils' control.

In the same way, the total amount of support received through the Financial Assistance Grants varies from Council to Council. More importantly, support through this measure cannot be relied upon in perpetuity. This fact is underscored by the continued advocacy required from ALGA and its member Councils to optimise funding from Financial Assistance Grants, which only had indexation restored in July 2017 following a three-year freeze. The same uncertainty is true of other State and Federal funding streams.

As an indicator of financial stability, Council tracks its percentage of non-rate revenue to total revenue in our Annual Report. We actively pursue non-rate funding opportunities, including through our Advocacy Strategy 2018-21, in

order to supplement the investment made by ratepayers. However we would caution against the Panel making any recommendations on the basis of a consistent assumed grants revenue.

Valuation of property as a basis for rates

In our Rating Strategy we dedicate a section to the principle of equity and how this can best be exercised in the application of rates. As part of this section we explore the issue of linkage of property wealth to capacity to pay:

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

It is clear that the question of using the valuation of property as the basis for the calculation of rates, is a vexed one. We welcome the recommendations of this Inquiry as an opportunity to consider alternative approaches.

Conclusion

We thank the Ministerial Panel for the opportunity to provide a submission in response to the Local Government Rating System Review.

Should you wish to discuss any of these matters further, please contact:

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