



LOCAL GOVERNMENT ACT REVIEW ►► DELIVERING FOR THE COMMUNITY

## Consultation report – Rates, Fees and Charges

### Contents

<b>Introduction</b> .....	2
<b>How we consulted</b> .....	2
<b>Responses received</b> .....	3
Overview .....	3
Breakdown on responses on rates, fees and charges .....	3
<b>What we heard</b> .....	4
Differential General Rates .....	5
Different Rating Models .....	5
Rating Based on Other Factors .....	6
Ministerial Approval .....	6
Public Notice.....	7
Rate Exemptions and Concessions .....	8
Land Subject to Rates .....	9
Exemptions .....	9
Charitable Organisations .....	10
Rates Concessions.....	11
Levied Charges.....	11
Rating of Mining Licences .....	13
Fees and Charges .....	14
Annual Charges .....	15
Principles for Setting Fees and Charges .....	15
Rates and Revenue Strategy .....	16
<b>Summary</b> .....	18
<b>Where to from here</b> .....	18

## Introduction

Rates, fees and charges are one of the main mechanisms for local governments to raise revenue. The proportion of revenue that rates, fees and charges accounts for varies between local governments. Approximately 82 per cent of local government revenue comes from rates, fees and charges in Western Australia. However, more than 40 per cent of Western Australia's local governments, predominantly in rural areas, raise less than half of their revenue from rates, fees and charges, instead relying on grants to a significant extent.

To assist guide discussions on whether there are opportunities to reform the local government rating system and method of issuing fees and charges, the department released a discussion paper. This paper provides an overview of the feedback received during the consultation period.

## How we consulted

Following the release of discussion papers in September 2018, over 100 workshops, forums and meetings were held with community, local governments and stakeholders. This consultation included 28 community workshops across Western Australia and 'pop-up' stalls in shopping centres and community halls.

To ensure all Western Australians had an opportunity to have their say, multiple workshops were held in all Western Australia's regions.

The workshops provided an opportunity for attendees to discuss topics that were of interest to them. All attendees were also encouraged to provide a submission.

Individual council members, local government staff, peak bodies, community organisations, councils and community were invited to have their say by completing online surveys or providing a written submission.

The objective of the consultation was to seek the views of as many interested people as possible, rather than scientifically sampling the population. As a consequence, responses are from people with a keen interest in local government, either because of their working relationship or because of their experiences with local government (often their own).

## Responses received

### Overview

A total of 3,151 responses to the review were received. This was made up of surveys to each of the 11 discussion papers released, written submissions and informal 'post card' responses collected during workshops.

For every topic residents/ratepayers provided the largest number of responses.

The gender balance amongst survey responses was reasonably representative (55% male, 45% female), but the sample was skewed heavily towards older age groups. Around 75 per cent of respondents were aged 46 years or over, with nearly half over 55. Less than 12 per cent were aged 35 or under.

### Breakdown on responses on rates, fees and charges

A total of 360 responses addressed the topic of rates, fees and charges, which included 265 survey responses and 95 written submissions.

The 360 responses were drawn from private individuals and residents/ratepayers groups (148); local government councils and zones (57); council members (45); local government staff and chief executive officers (76); government agencies (5); peak bodies (8); and stakeholders from business and civil society (21).

In addition to the 360 submissions, 582 template letters were also received from residents from five (5) different retirement villages. All letters contained the exact same content and related to the provision of a rebate on the rates paid by residents in retirement villages.

## What we heard

The following sections summarise the feedback received on the topic of rates, fees and charges.

As with other topics addressed in the discussion papers, responses to the topic of rates generally featured a split between the viewpoints of residents who were concerned with rates increases and the equity of the current system, and the collective viewpoints of local government who want greater autonomy.

In relation to rates, fees and charges, the WA Local Government Association (WALGA) called for a review to be undertaken to:

- remove fees and charges from legislation and allow local governments to set fees and charges for local government services;
- consider the justification and fairness of all rating exemption categories currently prescribed under the Local Government Act; and
- explore current and other methods of valuation of land.

The Chamber of Commerce and Industry Western Australia (CCIWA) also recommended that a comprehensive review of the current process for setting rates, fees and charges is undertaken by the Economic Regulation Authority to identify opportunities for reform that will reduce costs and ensure local government processes and services are efficient.

A common theme in many submissions was that residents were concerned about:

- rate increases; and
- the inequity of rating, in that some were paying too much and others were not contributing enough.

Residents who were concerned about rate increases most frequently called for Ministerial intervention to keep annual rate increases at or below the Consumer Price Index and to ensure transparency in rate setting. Others objected to the use of Gross Rental Value (GRV) as a means to partially determine rates.

Many residents acknowledged the difficulty in determining what types of organisations were deserving of a rates concession or exemption.

## Differential General Rates

Differential general rates are generally imposed to ensure that the rate burden is more equitably distributed across ratepayers, with those requiring or using more services being charged a higher rate in the dollar.

Local governments are currently permitted to impose differential general rates according to land zoning, land use, vacancy or a combination of the these.

### Workshops

Feedback across the workshops generally acknowledged the need for differential rates. At one local government staff workshop, it was recommended that a limit on the cents in the dollar that can be charged by a local government be introduced.

Local government staff generally supported removing the requirement for a local government to seek Ministerial approval to set a rate in the dollar that is more than twice the lowest. One suggestion proposed was that Ministerial approval should only be needed every two years.

The requirement to advertise rates varied, with some workshops attendees not supporting the need for any public notice period.

### Surveys and Written Submissions

#### Different Rating Models

The survey canvassed views on the introduction of different rating models. Proposed options included:

- **One rate in the dollar:** All types of rateable property should pay the same rate in the dollar, regardless of how the land is used. Overall, only 18 per cent of survey respondents supported this option.
- **Set Categories:** Different rating categories could be set in legislation (as opposed to local governments defining their own categories based on land use).

Two-thirds (66 per cent) of residents supported the introduction of 'set' differential rating categories. There was significantly less support from local governments (33 per cent), council members (34 per cent) and local government staff (43 per cent).

If set categories were introduced, there was strong support for the following categories to be included in legislation:

- Residential
- Commercial
- Industrial
- Mining
- Farming
- Vacant
- Rural residential

Two additional categories received strong support 'Mining – exploration and prospecting' (80 per cent), and 'not-for profits' (71 per cent).

Respondents were asked to further consider the option of whether local governments should be permitted to introduce sub-categories within the set categories based on factors such as the type of mining being undertaken, the intensity of the land use or the type of commercial activity, if rating categories were set in legislation. Local governments were more supportive than residents (45 per cent) with 64 per cent of council members; 66 per cent of local governments (66 percent), and 59 percent of staff.

### Rating Based on Other Factors

Other factors for rating properties were also canvassed including:

- **Location:** Rating properties differently based on their location was supported by around half of all respondents, with two-thirds of council members and local governments in support.
- **Long-term vacancies:** Responses provided on behalf of local government (94 per cent) overwhelmingly supported being permitted to rate long-term vacant properties differently to land that is being used. The rationale being to encourage landowners to develop the land (for residential vacant land) or encourage economic development (for vacant retail premises).
- **Holiday houses:** There was considerable support from council members (65 per cent) and staff (60 per cent) for rating holiday homes or Airbnb-type properties differently. The concept was only supported by 50 per cent of local government responses and 37 per cent of responses from residents.

### Ministerial Approval

A local government that seeks to impose a rate in the dollar that is more than twice the lowest must seek Ministerial approval. For example, in the unimproved value (UV) category, the rate in the dollar for mining might be 30 cents whereas pastoral might be 10 cents. Local governments need to comply with the Rating Policy – Differential Rates when making an application.

Support varied for the circumstances in which Ministerial approval for differential rates should be sought.

Overall, survey respondents indicated support for the following approaches as follows:

- 46 percent supported the status quo; whereby Ministerial approval is required for differential rates that are twice the lowest category;
  - Most residents (70 per cent) supported retention of the current Ministerial approval threshold (twice the lowest of its other rating categories)
  - Council members (36 per cent) were also most likely to support the status quo
- 22 percent supported not requiring Ministerial approval for any differential rates;
  - Most responses provided on behalf of local governments (53 per cent) supported no Ministerial approval.
  - No Ministerial approval was the leading category amongst local government staff (41 per cent).

## Public Notice

Under the Act, local governments are not required to give public notice if they impose a *uniform* rate in the dollar. This means that there is no opportunity for the community to provide a submission and there is no need for local governments to justify the rate in the dollar.

If a local government intends to impose differential general rates they are required to advertise prior to considering and adopting their annual budget. The public notice period cannot commence before 1 May.

There was strong support from residents (91 per cent) for local governments to advertise all their proposed rates. Council members (55 per cent), local government staff (41 per cent), and local governments (39 per cent) were less supportive.

There was also widespread support for local governments being permitted to advertise their rates at any time in the lead up to the adoption of their budget (94 per cent of council members; 94 per cent of responses on behalf of local government; 77 per cent of staff; and 73 per cent of residents).

## Peak Bodies and Other Stakeholders

LG Professionals suggested that where Ministerial approval has been granted, the approval should remain in force for subsequent years unless there are significant changes. They also supported an amendment to the Act to allow rate notices to be delivered electronically where the ratepayer's electronic email address was known.

The Chamber of Minerals and Energy of Western Australia (CME) strongly supported retaining the status quo and does not support an increase in the threshold for Ministerial approval. CME argues that the current system ensures there is a check on local governments to provide justifications in imposing a higher rate in the dollar on a particular rating category. CME also called for additional powers for the Minister to intervene where there were unreasonable and unjustified rate increases.

CME supported public notice of all rates and minimum payments for a minimum of 28 days. CME argued this would provide a reasonable timeframe for all ratepayers to respond as soon as practicable. CME also specified that a combination of notice mediums should be used if the proposed rates for a particular category were likely to affect a disproportionately small number of ratepayers. CME also believed local government should have formalised policies and practices relating to the internal review and determination of objections to rate notices.

## Rate Exemptions and Concessions

The Act provides that all land is rateable unless it is listed as exempt.

Not all land is required to pay rates. While the Act sets out a number of specific categories, it also provides the power for the Minister for Local Government to approve other land as exempt from rates.

According to information provided by the Western Australian Local Government Association (WALGA), in 2017/18, local governments lost more than \$44 million in revenue due to rate exemptions. Charitable organisations accounted for a majority of rate revenue loss (35 per cent), followed by Crown Land (16 per cent). The City of Canning noted that in 2017/18, the value of rate exemptions was approximately \$820,000 for that district alone.

There is an argument that everyone should pay local government rates as everyone uses the services and facilities provided by the local government, from roads to parks and community facilities. In addition, rate exemptions can have a significant impact on the capacity of local governments to raise rate revenue, especially in regional and remote areas. It is then left to the ratepayers to make up the shortfall. Nevertheless, a number of organisations provide important services within the community with very limited funding.

In considering rating exemptions, a distinction can be made between exemptions based on:

- how the land is used (for example land used for agricultural or horticultural show purposes); or
- activities that occur on that land (for example, charitable activities that occur on land).

If rating exemptions are to remain, further investigation is needed to understand the grounds on which exemptions should be based.

### Workshops

Community members from Dongara, Kununurra and Port Hedland and local government staff from Bayswater and Esperance supported the Council having the discretion to decide when rate exemptions and concessions should be applied. However, members of the Port Hedland community believed that rating exemptions should be consistent across all local governments.

Generally, local government staff called for the meaning of charitable purposes to be clarified and refined.

The community in Kununurra and local government staff in Melville believed that an organisation should be made to pay rates if it was generating revenue.



## Surveys and Written Submissions

### Land Subject to Rates

There was widespread support for all land being subject to rates. 89 per cent of responses provided on behalf of local government, 85 per cent of staff, 75 per cent of council members and 64 per cent of residents supported the concept.

The overwhelming majority of responses provided on behalf of local government (88 per cent), staff (85 per cent) and council members (81 per cent) supported consistency between local governments in respect to rate exemptions. Consistency between local governments was also supported by most residents (79 per cent).

### Exemptions

While many respondents previously stated that all land should be subject to rates, responses often changed when specific land use cases were presented. Responses indicated differing attitudes between residents, council members, local government as a collective, and staff.

Currently, exemptions from rates apply to:

- Land used or held exclusively for churches (religious bodies);
- Land used or held exclusively for schools;
- Land used exclusively for charitable purposes;
- Land vested in trustees for agriculture or horticultural show purposes;
- Land owned by Co-operative Bulk Handling Limited (CBH); and
- Land exempted by the Minister for Local Government;
- Land used or held by a local government or a regional local government (other than for purposes of a trading undertaking);
- Land used or held by the Crown (State Government) for a public purpose.

Overall, survey respondents indicated their support for whether the following types of land should be subject to rates. Views between ratepayers and residents, and local government stakeholders was generally consistent, except where indicated:

Type of land	Overall support	Disparity of views between stakeholder groups
Land used primarily as a residence	92%	
Land used for mining exploration or prospecting	88%	
Land used by CBH (Co-operative Bulk Handling)	81%	
Land being used for child care	77%	66% of residents in support, compared with 90% of local government stakeholders

<b>Land being used for aged care</b>	73%	60% of residents in support, compared with 88% of local government stakeholders
<b>Land used for the pursuit of the arts</b>	73%	
<b>Land used exclusively for churches (and other religious places)</b>	73%	
<b>Land vested in trustees for agricultural or horticultural show purposes</b>	59%	
<b>Land used by sporting clubs</b>	58%	
<b>Land used for charitable purposes</b>	53%	50% of residents in support, compared with 60% of local government stakeholders
<b>Land used by schools</b>	49%	38% of residents in support, compared with 63% of local government stakeholders
<b>Crown land held for public purposes</b>	41%	

### Charitable Organisations

The meaning of ‘land used exclusively for charitable purposes’ is not defined in the Act and differing interpretations of the meanings of ‘charity’ and ‘charitable purposes’ have continued to prove challenging across all levels of government in Australia. Each jurisdiction has taken a different approach to defining ‘charity’ and ‘charitable purposes’.

In Western Australia the meaning of what constitutes ‘land used exclusively for charitable purposes’ has been the subject of several key decisions by the State Administrative Tribunal (SAT). These decisions have been a matter of contention for the local government sector as exemptions have been provided to facilities for aged care even when residents are paying market rates for the individual housing within an estate, and to industry associations because they have a training arm.

As indicated in the previous section, 50 per cent of residents and ratepayers supported land used for charitable purposes being subject to rates; compared with 60 per cent of local government stakeholders.

Furthermore, most respondents (71 per cent), including residents (60 per cent), stated that rate exemptions for the commercial business activities of charitable organisations should be removed (and not be exempt from paying rates).

Consistent with the previous question related to the charitable status of residences, most respondents (73 per cent), including residents, stated that residences should not be regarded as charitable.

### Rates Concessions

Respondents were asked if rates concessions should be granted in certain circumstances. In providing responses it appears that many responses from within the local government sector interpreted the question as meaning what concessions should be enshrined in legislation.

- **Pensioner and health concession cards:** Overall, 86 per cent of respondents supported holders of pensioner and health concession cards being granted a concession.
- **Community service organisations and sporting clubs:** 71 per cent of all respondents supported concessions to community service organisations and sporting clubs.
- **Not-for-profits:** Concessions to not-for-profits received mixed support with 64 per cent of residents but just 45 per cent of staff in favour.
- **Arts and cultural organisations:** Only 40 per cent of residents and 31 per cent of council members, staff, and local governments supported lower rates for arts and cultural organisations.
- **Financial hardship:** Respondents generally did not support concessions to ratepayers where the payment of rates would cause hardship. Just under half of the responses provided by residents (42 per cent) supported concessions to those undergoing financial hardship. Just 12 per cent of council members and staff, and 11 per cent of responses provided by local governments supported providing a concession on hardship grounds.
- **Retirement villages:** 582 template letters were received from residents of five different retirement villages in Western Australia. The submissions noted that residents within these retirement villages were responsible for the maintenance of all roads, kerbing and street lighting within the village. The submissions called for a 10 per cent rebate on the rates paid for residents of such villages, to account for the additional costs incurred by these residents in maintaining their own infrastructure.

### Levied Charges

Most responses provided on behalf of local government (94 per cent), staff (73 per cent), residents (66 per cent) and council members (65 per cent) advocated for exempt properties being levied both a waste charge and a service charge.

Respondents who stated that only one type of charge should be levied were more likely to advocate for a service charge (10 per cent) than a waste charge (8 per cent), while only 6 per cent of all respondents stated that no charges should be levied on exempt properties. Respondents selecting 'other' typically restated their view that no property should be exempt from rates.

Responses to the question of what charges should be levied on land that receives a concession was consistent with the question regarding land that received a full

exemption from rates. In both cases, 71 per cent of respondents advocated for waste charges and a service charge to be levied.

### **Peak Bodies and Other Stakeholders**

WALGA called for a broad review of rating exemption categories to be undertaken in order to ascertain the justification and fairness of all rating exemption categories currently under the Local Government Act. WALGA and LG Professionals both called for the Act to be amended to redirect rate equivalency payments made by LandCorp and other Government Trading Entities from the State Government to the relevant local government.

WALGA also supported making specific amendments to the current exemptions under the Local Government Act:

- WALGA proposed amending the Act so that exemptions for Independent Living Units could only apply to rate payers that qualified under the *Commonwealth Aged Care Act 1997*.
- WALGA supported eliminating exemptions for commercial (non-charitable) business activities of charitable organisations (or establishing a compensatory fund in the event the State Government retained the exemption).

LG Professionals supported clarifying the definition of what is considered 'charitable' under the Act and also supported amending the Act to remove the exemption for Independent Living Units.

Peak bodies and stakeholders from the social services sector supported the retention of the current exemptions for charitable organisations.

The Financial Counselling Network and WA Council of Social Service (WACOSS) advocated for local governments to adopt financial hardship policies.

Community Employers WA and WACOSS supported the current system whereby charities were exempt from paying rates. They also noted that the loss of rate exemptions on social housing could significantly reduce the ability of charities to provide low cost housing and support services to people in need.

The Department of Communities supported clarifying the definition of 'land used exclusively for charitable purposes' and retaining such an exemption in the Local Government Act. However, they did *not* support excluding land used as a residence from the definition of 'land used exclusively for charitable purposes' on the basis that such land included social housing, crisis accommodation, and boarding and lodging facilities (for people experiencing homelessness). The Department of Communities noted that such dwellings, managed by external providers, contribute a valuable and charitable service that the Department of Communities could not deliver alone.

## Rating of Mining Licences

Mining tenements include prospecting and exploration licences and mining leases which are granted under the *Mining Act 1978*. The mining sector argue that as prospecting and exploration licences are not a mining business, they should be exempt from paying local government rates. Exemptions apply in some other jurisdictions as they are considered an 'access right' not a 'property right'.

### Workshops

Local government staff commonly argued that tenement holders should not be exempt from paying rates as they still used local government services.

### Surveys and Written Submissions

Local governments in districts where mining exploration is commonplace have occasionally called for greater powers to recover payments on exploration and prospecting leases. Some responses called for greater powers for the Department of Mines, Industry Regulation and Safety to pursue outstanding rates.

Less than half of all council members (45 per cent) residents (36 per cent), local governments (37 per cent), and staff (23 per cent) supported exploration and prospecting land benefiting from a lower rate in the dollar compared to mining.

### Peak Bodies and Other Stakeholders

WALGA and LG Professionals supported making resource projects covered by State Agreement Acts liable for local government rates. WALGA also supported exploring alternatives to the current methods of valuing land to simplify and provide consistency in the rating of mining activities.

WALGA proposed a requirement that mining tenements licences could not be renewed by the State Government until the relevant licence holder had paid the applicable local government rates.

CME argued that a category for exploration, prospecting and retention leases should be rated either exempt or lower than mining to reflect the absence of income generation, a lower capacity-to-pay and a lower demand on local government facilities and services.

The Association of Mining and Exploration Companies' (AMEC) submission suggested that in some regional local governments, mining companies contribute the overwhelming majority of rate revenue, and in some cases half of the entire revenue of the local government. For example, in 2016/17 mining companies provided, 92% of total rate revenue for Wiluna, 92% for Cue, 94% for Laverton, 72% for Coolgardie, 91% for Menzies, 95% Sandstone and 89% for Murchison.

AMEC supported a reinstatement of the 'benefit principle', whereby the use of local government resources by particular ratepayers is considered when setting the rate in the dollar for each differential rate category. AMEC also stated that if the local government sector was not willing to treat the mining and mineral exploration industry equitably, then the State Government should look to intervene by either requiring that

land subject to exploration and prospecting licences is exempt from rates, or introducing a rate-capping approach that limits the amount a local government can increase rates.

## Fees and Charges

Local governments have the ability to set fees and charges for a range of services. Services can be categorised into three areas:

- Basic community services, such as waste collection;
- Additional services, such as providing security; and
- Competitive services, such as services provided by other business in the area (for example gymnasiums).

When setting fees and charges for basic and additional services, local governments consider the cost of providing the service but may decide to subsidise the service for the public benefit.

Local governments are required to observe competitive neutrality principles when setting fees and charges for competitive services.

### Competition Policy

Section 5.53(1) of the Local Government Act requires local governments to comply with National Competition Policy.

Local governments are required to observe competitive neutrality principles when setting fees and charges.

Broadly speaking local government business enterprises:

- should not enjoy any net competitive advantage arising simply as a result of their public ownership; and
- should not subsidise their business activities if to do so limits or prevents the opportunities for more efficient provision of those services by the private sector.

Competition policy recognises that local governments have responsibility for achieving social, environmental, and economic objectives, and may conduct a public interest test to recognise these other public policy objectives.

Other fees and charges are set by legislation or regulation, for example registration fees for dogs and cats.

## Workshops

Differing views on mechanisms for setting local government fees and charges was discussed at workshops. Generally speaking, community members supported limits on fees and charges being determined by the State Government. Workshops with local governments suggested cost recovery models should be determined by individual local governments.

## Surveys and written submissions

### Annual Charges

Local governments can impose a special area rate or service charges at the time of issuing the annual rates notice. In other States, a range of other charges can also be imposed:

- Under Victorian legislation, local governments can impose a municipal charge to cover some administrative costs.
- In Tasmania, local governments can impose a separate charge for the purpose of planning, carrying out, making available, maintaining or improving anything.

To increase transparency and accountability, a new Act could allow local governments to impose a levy on all ratepayers to fund a particular service, facility or activity that benefits the entire community, or a specific locality or function.

A simple and transparent approach could be to provide a model similar to Tasmania whereby the general rate consists of two components: the rate based on the valuation and a fixed charge.

Most local government respondents (including councillors and staff) and residents agreed that local governments should be able to impose fixed charges and levies for services.

### Principles for Setting Fees and Charges

Currently, the Local Government Act requires that fees and charges are set during the annual budget process. Some states require local governments to develop and publish a Rates and Revenue Strategy. The Strategy includes a schedule of fees and charges set by local governments, including the methodology where the fees are set at cost recovery.

The consultation paper canvassed views on the application of 'cost recovery' principles to the setting of fees and charges. Residents (83 per cent) supported limiting local government fee setting to cost recovery (though noting the question did not canvass whether this was the overall cost of providing the service, or the adoption of 'user-pays' principles). It should be noted that most residents who selected 'very unsupportive' were opposed to local government levying fees at all.

Local governments (78 percent) generally did not support charging fees and charges greater than cost recovery. However, there were mixed views from staff and council members with 46% of staff and councillors combined supporting the ability of local governments to charge a fee or charge that was higher than cost recovery and 46% of staff and councillors not supporting such an approach.

Respondent feedback also addressed a range of principles which could be applied through legislation:

- **Consistent or 'Standardised'**: Consistent application or 'standardised' fees and charges across all local governments received very limited support from local governments (local governments (5 per cent), staff (27 per cent) and

council members (25 per cent). However, almost 70 per cent of residents supported consistent application of fees.

- **Fixed Increases:** The consultation paper canvassed options for fixing increases to local government fees and charges to the Consumer Price Index. Most respondents did not support the idea of fees and charges being increased annually by CPI.
- **Autonomy:** Local governments (94 per cent), staff (94 per cent) and council members (84 per cent) overwhelmingly called for discretion and autonomy in fee setting. In contrast, just 28 per cent of residents stated that they thought local governments should have autonomy to set fees and charges.
- **Flexibility:** The capacity to vary fees and charges at any time without advertising was identified by the sector as a restriction that impacted the commercial viability of local government operations. Two-thirds (66 per cent) of responses provided on behalf of local government, and 48 per cent of local government staff supported the concept. However, there was less support from council members (25 per cent) and almost no support from residents (3 per cent).

## Peak Bodies

WALGA's submission recommended that a review be undertaken to remove fees and charges from legislation and Councils be empowered to set fees and charges for Local Government services.

LG Professionals noted many local governments supply small consumer items at a variety of facilities, for example leisure centres and theatres. These include selling theatre tickets, supplying food and drink at venues. Their submission recommended the legislation for fees and charges, including all consumable small goods and leisure centre fees, need to be agile and flexible for local government to make changes throughout the year.

The Chamber of Commerce and Industry's (CCIWA) submission highlighted the need for transparency around how cost recovery models operate and encourage efficiencies in cost recovery arrangements. CCIWA recommended that the State Government consider commissioning a review by the Economic Regulation Authority into the setting of local government budgets, fees, charges and rates. The review should also investigate the contribution of inefficient processes and practices within local governments that are contributing to increasing costs.

## Rates and Revenue Strategy

Currently, local governments are required to prepare a long-term financial plan to inform their Corporate Business Plan. In Victoria local governments are required to have a Revenue and Rating Strategy and in Queensland they must prepare a Revenue Statement.

An option discussed in the consultation paper was that local governments could be required to develop a Rates and Revenue Strategy for each financial year, which could include:



- Rating categories (and potentially how they are determined);
- Rates in the dollar;
- Objects and reasons for each rating category;
- Fees, charges and levies including the methodology where appropriate; and
- Long term rating strategy.

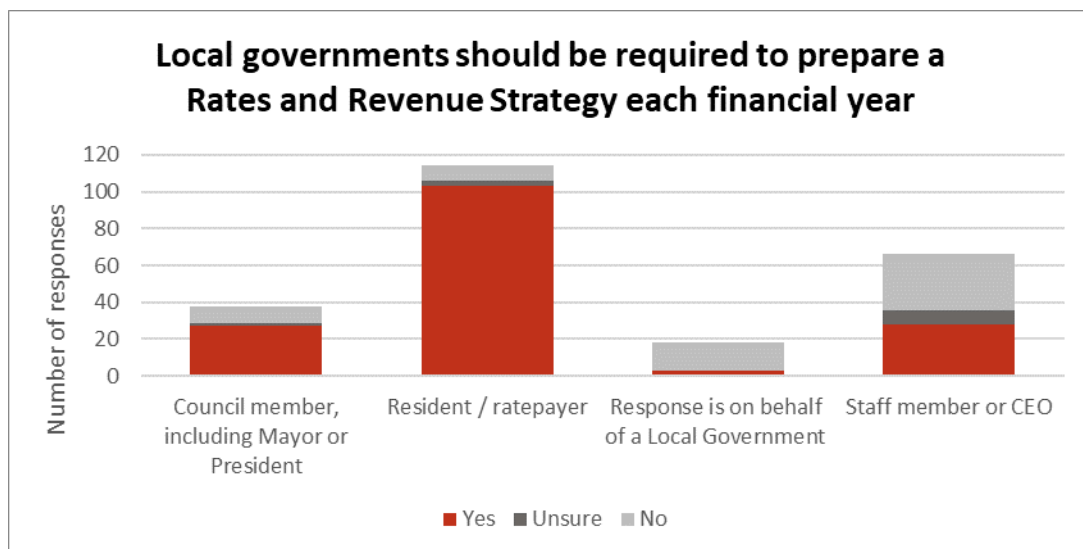
## Workshops

Feedback from community attendees generally called for greater transparency by local governments when setting rates, and as such there was support for a document such as a Rates and Revenue Strategy.

General support was also received from local governments, with some local government employees recommending that the rates setting statement in the long term financial plan include all costs, not just operating costs.

## Surveys and Written Submissions

Overall, 68 per cent of respondents supported the requirement for local governments to prepare a Rates and Revenue Strategy *each* financial year.



While some local governments supported a Rates and Revenue Strategy, others, provided conditional support for the concept subject to removing the requirement to advertise rates. Another viewpoint suggested that a rating strategy would do little to alleviate the view of some residents that the level of service they received was not commensurate with the rates they pay.

## Peak Bodies and Other stakeholders

CME supported the requirement for local governments to prepare a strategy on the provision that local governments would be required to consider the rates to be imposed over the following three to five years. They also suggested that an indicative outlook of the following five to ten years could be included. CME argued that such provisions would encourage local governments to consider intergenerational needs and revenue raising equity and neutrality. It would also:

- encourage local governments to effectively plan for and prioritise viable facilities and services, and
- increase the predictability of rates, which will have positive impacts for investment in long term projects in the district.

CME also specified that the strategy should be publicly available and include features such as a breakdown of aggregate revenue received across different classes of ratepayers to provide visibility on how the rates burden is distributed, and a decision criteria framework that demonstrates clear consideration of the key values.

## Summary

An analysis of feedback received through the consultation workshops and submissions has identified the following key themes:

- **Differential Rates:**
  - Views are mixed on whether differential rating categories should be set in the Act.
  - Residents support the status quo in relation to Ministerial approval for differential rating categories.
  - Half of local governments support the removal of Ministerial approval for any rates set by local governments.
- **Exemptions:**
  - There is support for requiring all land to be subject to rates, despite there being some support to retain rating exemptions for specific categories.
  - The local government sector generally did not support giving a concession or exempting land used for mining prospecting and exploration, whilst the resources industry supported being charged lower rates or being entirely exempt from paying rates.
- **Fees and Charges:**
  - While the local government sector supports setting their own fees and charges, residents called for consistent fees and charges between local governments.

## Where to from here

Feedback and suggestions received during the consultation period will be used to inform the new Local Government Act.

Consideration will be given to balancing the legislated rules for rates, fees and charges including what could be streamlined between local governments, with what should be determined locally.