

Local Government Act Review Submission

Let me preface this submission by saying that the views expressed below are that of the author and not necessarily those of the Council.

My particular interest in the Act review relates to the imposition of Rates. I worked in a local government in New South Wales which imposed differential rates for nine years at Director or CEO level. I have worked as CEO for the last 4 ½ years in a Western Australian local government which introduced differential rates after my appointment.

I have thoroughly read the Victorian Local Government Better Practice Guide 2014 Revenue and Rating Strategy.

It provides a very balanced view of the challenges faced by taxing authorities such as local governments when setting rates and charges. Unfortunately, it stops short of admitting that at the end of the day rates and charges are Taxation and there is no system which everyone will agree is fair to all. I do agree that taxing ratepayers according to land value or rental value is a particularly fair system compared to other systems.

Revenue Policies and Public Consultation

Proposing that Councils in Western Australia produce detailed revenue policies to justify why their proposed rates are slanted more towards vertical equity than horizontal equity (for example) is likely to do very little for any ratepayer who declares the policy unfair.

Proposing that Council's go to extraordinary lengths to cost services such as swimming pools and all other manner of services seems reasonable to those that don't have to undertake the exercise. This might prove an interesting read once and once only for ratepayers.

Indeed, at the end of the day it may well be possible to prove that a typical pool entry fee should be \$5 per adult, yet ultimately council may resolve to charge a \$1.50 because that's what the community will bear. Most councils know from the budgetary processes that Rec Centres, swimming pools, sports grounds and libraries are subsidised by ratepayers.

As pointed out in the Victorian document, many rural ratepayers don't feel they receive value for their ratepayer dollar as they don't use many of the services made available to them by Councils. A complicated rates and revenue strategy is unlikely to change this perception.

Additional to the foregoing is the timing of the current process where Councils are expected to develop the rates proposal prior to setting the annual budget. This timing fails to recognise that rates are an integral part of the budget process and the budget is to a certain extent very dependent on the level of income that will be generated by the rating process. Modelling the rates prior to setting the budget appears to be putting the cart before the horse. Consideration needs to be given to how these two processes can be run in tandem.

Councils in New South Wales are not required to consult the public about the level of rates, fees and charges they propose to levy even though they produce an annual Revenue Policy. There is no mechanism for people to make submissions about the advalorem proposed to be applied to any one of the four differential rate categories or subcategories. Neither is there any requirement for ministerial approval regardless of the difference between the differential rate categories. Their system relies on the electorate rather than the bureaucracy to police what is reasonable or unreasonable.

If the West Australian legislature proposes that there be a public consultation process, a practical solution may be to provide exemption from the requirement for public consultation where the local authority does not propose to vary any differential rate by more than 10%.

Ministerial Approval

The proposal in the Rates, fees and charges discussion paper on page 5 to set the maximum rate differential to a factor of four with no ability to seek Ministerial Approval would have a deleterious effect at Boddington. We have one substantial mining company with a mix of rural properties and GRV properties and another major mining company with large tracts of rural land and no GRV property. Without the capacity to levy a differential rate that is 5 times the rural differential rate would destroy what little horizontal equity has been able to be achieved through the introduction of differential rates in the Shire.

The option to allow differential rating to be more than three or four times with Ministerial Approval is preferred. However there is an addition which would improve administrative efficiency.

For the purpose of administrative efficiency, which is one of the Revenue and Rating principles cited in the Victorian Better Practice Guide, the requirement to seek Ministerial Approval if the variance between differential rate exceeds certain parameters could also be waived if the proposed change to any differential rate does not exceed 10%.

The benefits of the above would be

1. The public is offered the opportunity to make submissions if the Council chooses to make substantial changes to its revenue policy
2. The Council has a degree of flexibility where re-valuations affect the level of rates levied on any particular category of properties
3. The State Government maintains oversight where Councils propose significant changes
4. The Minister is relieved of administrative burden in deciding whether or not to approve a differential rate, where changes between years are less significant, say 10%. This would expedite the budget process.

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