

2018/19 Proposed Rating Strategy
OPEN HEARING



Submission ID Number	Elected to Speak?	Speaking Timeslot	Submitter Name <i>(click on name to view submission)</i>	Submission Title
RS01	Yes	2.20pm	Barry Gilbert	Reconsider the Draft Rating Strategy Committee Recommendation 2018-2022
RS02	Yes	2.30pm	Paul Ahern and John Davies Foster Chamber of Commerce	Reject the Rating Strategy and retain status quo
RS03	Yes	2.40pm	Meg Knight	Alternative Rating Strategy Model
RS04	Yes	2.50pm	Ralph Gallagher	Determine the Rating Strategy for the next four years now based on existing strategy with minor adjustment

2018/19 Proposed Rating Strategy OPEN HEARING – Submissions



Submission RS01 – **Barry Gilbert** – Reconsider the Draft Rating Strategy
Committee Recommendation 2018-2022



Speaking to Submission - Yes

19 April 2018

Barry Gilbert
PO Box 170
Korumburra Vic 3950

The Chief Executive Officer
South Gippsland Shire
Private Bag 4
Leongatha vic 3953

Dear Sir,

I submit the following submission in relation to the Proposed Rating Strategy 2018/19, as part of the Revised Council Plan 2017-2021 including the Proposed Annual Budget 2018/19, which is now open for public comment.

As a member of the 2018/2022 Rating Strategy Steering Committee I was alarmed that the Draft Rating Strategy, approved by the Committee by a majority vote and presented to the Council Briefing Meeting 21st February, was subsequently refused at what I understand was a hastily called meeting of Councillors and Shire management staff after a short two hour notice with some Councillors not being able to attend and, I believe, with no minutes recorded.

One would have thought that the significance and fundamental importance of reviewing the differential rating system for the ensuing four years required Council, including the Shire management staff, to properly deliberate over the Steering Committee Draft Report/Recommendations at a properly convened open meeting with recorded minutes. The setting of rates is one of Council's most important functions and is paramount in developing the budget.

I believe that Council has contravened the Local Government Act pursuant to Sections 89 (1) and (4) and 93(1). Please refer to enclosed copies of the relevant Sections of the Act.

Notwithstanding the aforesaid, Council has a statutory obligation to **"ensure the equitable imposition of rates and charges"** pursuant to Part 1A Local Government Charter, Objective of Councils (Section 3(2)(f)).

A glaring inequitable rate is the current 200% vacant land rate to **rural land** in the farming zones. This rate is far above other rural shires, of whom some only charge the general rate, and was not considered by Council.

Also, the reluctance of Council to consider a marginally lower differential rate for farm land is surprising seeing that the South Gippsland economy relies heavily on farming which pays a disproportionate \$10,187,636 of rates revenue from 3,290 assessments against \$22,426,847 from 13,522 residential assessments. The business of farming depends on the weather and market forces and has very large overheads, including labour, machinery and fodder.

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To highlight the hardship of many Gippsland farmers, I enclose copies of:

Report from Herald Sun 15 April 2018, "Shadow over the land"
Sunday Editorial, Herald Sun 15 April 2018, "Farmers need our help"

The above report and editorial reflects what a majority of the members of the Rating Strategy Steering Committee discussed and reflected in their vote to give some relief to farmers and marginally reduce the farm differential rate. It is an indictment and arrogance of Council, including senior management staff, to simply refuse the Draft Strategy Report and Recommendations without deliberation at a properly convened Council meeting.

I also enclose a copy of an article, "Council backs business" by Brad Lester of The Star local newspaper.

This article does give an insight to Council dealings with the Rating Strategy Steering Committee Draft Report and Recommendations and the seemingly alienation of Councillor Don Hill, albeit it done by democratic vote?

The article also reports comments of farmers, Councillors Brunt, Rich and Argento who all felt that the existing farm rates were just. I ask the question, "Are your farms really the main source of your incomes?"

Adoption of all or part of the Draft Recommendations, including a possible municipal charge, would only increase the average residential annual rate by approximately \$50.00. South Gippsland has a large residential group, many with pensioner rate concessions and health care support, who can enjoy all of the Shire's township facilities and services; a \$50.00 annual increase, I believe, is very affordable.

I make this submission in good faith and would be appreciative of Council reconsidering the Draft Rating Strategy Recommendations now, not over the ensuing twelve months, and give some differential rate relief to rural vacant land owners and farmers.

I also request to be heard at the Open Hearing of Council in the Council Chambers, Michael Place, Leongatha at 10.45am on 23 May 2018.

Yours sincerely,

Barry Gilbert

Phone: 0434 812958 E-mail: b.gilbert@optusnet.com.au

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Local Government Act 1989
No. 11 of 1989
Part 4—Council administration

-
- (8) A Council may specify in the instrument of delegation that a member of a special committee who is a member of the public or of Council staff does not have voting rights on the special committee.

* * * * *

S. 88
repealed by
No. 67/2008
s. 38.

89 Meetings to be open to the public

- (1) Unless subsection (2) applies, any meeting of a Council or a special committee must be open to members of the public.
- (2) A Council or special committee may resolve that the meeting be closed to members of the public if the meeting is discussing any of the following—
- (a) personnel matters;
 - (b) the personal hardship of any resident or ratepayer;
 - (c) industrial matters;
 - (d) contractual matters;
 - (e) proposed developments;
 - (f) legal advice;
 - (g) matters affecting the security of Council property;
 - (h) any other matter which the Council or special committee considers would prejudice the Council or any person;
 - (i) a resolution to close the meeting to members of the public.
- (3) If a Council or special committee resolves to close a meeting to members of the public the reason must be recorded in the minutes of the meeting.

Authorised by the Chief Parliamentary Counsel

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Local Government Act 1989
No. 11 of 1989
Part 4—Council administration

S. 89(4)
substituted by
No. 67/2008
s. 39(1).

(4) Unless subsection (4A) applies, a Council must at least 7 days before the holding of—

- (a) an ordinary council meeting; or
- (b) a special council meeting; or
- (c) a meeting of a special committee comprised solely of Councillors—

give public notice of the meeting.

S. 89(4A)
inserted by
No. 67/2008
s. 39(1).

(4A) If urgent or extraordinary circumstances prevent a Council from complying with subsection (4), the Council must—

- (a) give such public notice as is practicable; and
- (b) specify the urgent or extraordinary circumstances which prevented the Council from complying with subsection (4) in the minutes.

S. 89(5)
amended by
No. 67/2008
s. 39(2).

(5) The Chairperson of a special committee that is not comprised solely of Councillors must provide reasonable notice to the public of meetings of the special committee.

90 Voting

(1) A question before a meeting of a Council or special committee is to be determined as follows—

S. 90(1)(a)
substituted by
No. 13/1990
s. 11(a).

- (a) each Councillor present at a meeting of the Council and each member of a special committee present at a meeting of the special committee who is entitled to vote is entitled to one vote;

S. 90(1)(b)
repealed by
No. 63/2012
s. 16(1).

* * * * *

Authorised by the Chief Parliamentary Counsel

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Local Government Act 1989
No. 11 of 1989
Part 4—Council administration

S. 91(3A)
inserted by
No. 67/2008
s. 41.

- (3A) A quorum at a meeting of the Council or a special committee must be at least a majority of the members of the Council or the special committee.

S. 91(4)
inserted by
No. 109/2003
s. 65(1).

- (4) Resolutions made at a meeting of a Council or special committee must clearly state the intention and effect of the resolution.

92 Validity of proceedings

Proceedings of a Council or committee are not invalidated because of—

- (a) any vacancy in the number of Councillors or members; or
- (b) any defect in the election or appointment of a Councillor or member; or
- (c) any incapacity to be a Councillor or member; or
- (d) any failure to comply with section 89.

93 Minutes of meetings

- (1) The Council must keep minutes of each meeting of the Council.
- (2) The minutes of a Council meeting must be submitted to the next appropriate meeting of the Council for confirmation.
- (3) The Chairperson of a special committee must arrange for minutes of each meeting of the committee to be kept.
- (4) If subsection (3) applies, the Chairperson must submit the minutes of a committee meeting to the next meeting of the committee for confirmation.
- (5) If the minutes are confirmed the Chairperson at the meeting must sign the minutes and certify that they have been confirmed.

Authorised by the Chief Parliamentary Counsel

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Council backs businesses

By Brad Lester

SOUTH Gippsland Shire Council is refusing to drop farm rates and hit small businesses with higher rates bills.

At last Wednesday's council meeting, Cr Don Hill pushed for farmers to pay a rating differential of 65 percent of the general rate – down from 70 percent. He expected the resulting shortfall in council's rates income to be largely footed by an increase for commercial and industrial ratepayers of 110 percent and 120 percent respectively – up from the current 105 percent.

Those figures were the draft recommendations of council's Rating Strategy Review Steering Committee, but were not supported by all committee members. *The Star* understands the proposed reduction in farm rates divided the committee.

That division resulted in council opting to undertake its own review over the next 12 months and retain the existing rating differentials for now.

Cr Hill last Wednesday lost his bid for the committee's recommendation to be released to the public for comment. He moved a motion to do so, but failed to attract support from other councillors.

The rating committee of councillors and members of the public considered how the rates burden was shared by all ratepayers.

Other councillors, including farmers mayor Cr Lorraine Brunt, Cr Aaron Brown and Cr Ray Argento, felt existing farm rates were just. South Gippsland's farm rates differential is the lowest in Gippsland.

Cr Hill said, "I just find it quite appalling that the rating committee spent all that time and effort, and we just throw it out", despite council voting to consider the committee's recommendations when making its decision in 12 months' time.

Cr Hill claimed Cr Brunt directed a council officer to not accept the committee's recommendations after holding a vote of councillors by email – a claim the mayor rejected.

Cr Hill tabled a rescission motion for the April 26 council meeting, but that would have prevented council from satisfying legislative timelines for the release of its budget and council plan for public submissions – documents to which the rating strategy is linked.

Therefore Cr Hill's motion was considered at an urgent special meeting last Wednesday, but neither Cr Hill nor his ally Cr Andrew McEwen could attend. His rescission motion was lost unanimously. Councillors Alyson Skinner and Jeremy

Rich were absent.

Cr McEwen said the proposed increase for small businesses would equate to \$20 to \$28 a week.

"If they can't afford that, they probably should not be in business," he said.

Cr Maxine Kiel said the rating committee process was "flawed from the beginning", "dominated by the farming sector" and "self interest".

She said the second rating review committee had again been a "treacherous process", with farming rates also dominating deliberations of the previous rating review.

Cr Brown said rates for commercial properties worth \$500,000 in South Gippsland were the second highest in Gippsland, and the same for industrial properties worth \$400,000.

Cr Brunt said, "For me, as a farmer, a ratepayer and councillor, and my primary source of income is farming, I consider myself to be a good councillor who is fair and decisive and considers all ratepayers."

Council unveils action plans

FROM today (Tuesday), the public can comment on three documents that will set the next 12 months for South Gippsland Shire Council.

These are the Proposed Annual Budget, Revised Council Plan 2017-2021 and Proposed Rating Strategy 2018-19.

The budget proposes a two percent rate rise in 2018-19 and \$21.39 million worth of capital works, including the expansion of the Great Southern Rail Trail from Welshpool to Hedley, building a new footpath to Korumburra Secondary College, a new bridge on Bena-Kongwak Road, and a \$3.8 million refurbishment of Mirboo North pool.

The Council Plan identifies projects for government funding: Korumburra Revitalisation, Leongatha Revitalisation, Great Southern Rail Trail extensions, Mirboo North Pool refurbishment and East West South Gippsland Public Transport Study. Written submissions on the documents must be received by close of business on April 26.

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THE STAR

TUESDAY 27TH MARCH 2018





SHADOW OVER THE LAND

Calendar aims to save lives as more farmers fall victim to depression and suicide

IN his darkest moments on his farm out the back of Warragul, father of three Joe Meggetto would wander around the property looking for places to end his life.

The shed. The dam. An old eucalyptus tree. They were options. Sometimes he'd stare blankly out of the window of his tractor cabin, lost in thought and the morning light. After milking there were nights when he'd walk down the paddock.

AARON LANGMAID

twist the earth with his feet and sob helplessly into his hands. Nobody was there to see it, or knew the war he was waging with himself.

Mr Meggetto was on the brink of becoming a statistic — one of the hundreds of Australian farmers who end their lives each year.

Latest Australian Bureau of Statistics data reveals that in Gippsland alone, 49 people died by suicide in 2016. The statewide total that year was 624 — more than double the road toll.

Experts warn that farmers are in the highest category of risk because so many work in isolation.

That rising toll and the overall pressure on producers have resulted in the launch of a calendar aimed at highlighting the issue in the heart of Victoria's dairy community.

Speaking at the launch this week, Mr Meggetto urged farmers to seek help. He is among 12 Gippsland dairy farmers whose anguished stories feature in a calendar by boutique milk producer Gippsland Jersey.

The only farmer-owned milk company in the region, it was established by local produce advocate Sallie Jones and Jindivick dairy farmer Steve Ronalds in response to the 2016 milk crisis and the suicide of Ms Jones' father in 2016. She said: "Our wish is that this calendar prompts honest and real conversations about a health issue that often we feel ashamed or embarrassed about."

More than 1400 calendars will be distributed to farms across Gippsland with a heartfelt message of hope as well as links and contact numbers for health services.

"People love you and care about

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JOE MEGGETTO

“

People love you and care about you. Get out of the macho mindset and go get some help

”

DAIRY FARMER JOE MEGGETTO

you.” Mr Meggetto said. “Get out of the macho mindset and go and get some help.”

Other personal stories featured include that of Tom Gannon of Tinamba, who admits hitting rock bottom just before the dairy crisis hit. Burned out and stressed, he woke one night shaking uncontrollably and had to be rushed to hospital by his wife, Mel.

Another is Adam Nelson, who was at his wits’ end due to huge debts. The former reality TV contestant talks about walking away from his dairy operation.

“I guess, looking back, I wasn’t aware of the strain it was having on my mental health,” he said. “I didn’t know what weekends were. I’d been farming since I was 16.”

Ian Cogle, of Willow Grove, was so bound by anxiety he couldn’t get out of bed.

Michaela Whiting, of Labertouche, talks about the stigma associated with being a sole female dairy producer and the guilt she experiences for missing time with her kids.

Royston Nettleton, of Orbost, said the inconsistency of milk pricing pushed him to the edge. He started getting headaches and chest pains and ended up in hospital. The doctor told him it was from stress.

“Men around here can be seen as having a tough exterior but it helps to talk to mates about it rather than bottling it up,” he said.

The calendar has been supported by a suicide prevention trial project in the Latrobe Valley and Bass Coast, co-funded by the federal government and the Victorian Department of Health and Human Services, through the Gippsland Primary Health Network.

The network’s chief executive, Marianne Shearer, said it was vital farmers understood what services were available to them without fear of judgment.

“They feel like they are on their own on the farm and it’s so important to have social connectedness with community,” Ms Shearer said.

In the end, Mr Meggetto said that with the support of his wife, he sought the help of a GP who just happened to be a neighbour.

“I sat down and cried and just let

it all out,” he said. “I walked out of there with such a sense of relief just knowing I wasn’t grappling with it by myself any more.”

Beyondblue CEO Georgie Harman said it was clear farmers and people in remote locations were among those at high risk.

“The suicide rate in very remote areas is twice as high as rates in major cities,” he said.

“This is despite similar rates of diagnosed mental health conditions.”

“Farmers and people who live and work in remote areas face many pressures that can affect mental health, including financial stress, social isolation, feelings of stigma and a lack of access to mental health services.”

“Beyondblue has a range of resources for people in regional areas that are designed to overcome some of these barriers to treatment.”

aaron.langmaid@news.com.au
EDITORIAL, PAGE 43

Nothing could break him. Or so we thought. I’ll never forget the Sunday afternoon when he walked into my kitchen and started crying. It was the first time I’d seen Dad cry.

He’d lost a lot of weight and his enthusiasm for life. He was happy to sit on the couch all day. It turns out these are red flags of poor mental health. I thought we could fix the matter as a family and get back to some normality but this was just the beginning of Dad’s mental health journey. For three years we struggled together and eventually my father entered a period of psychosis.

We rallied around him as a family and tried our absolute best to do everything to relieve his struggles.

Just when we thought we’d come through the worst of it, Dad died by suicide. It was March 22, 2016.

He would never have chosen that unless he was suffering more hurt than we would ever know. He left us without answers. Just heartbreak.

We’ll be distributing 1400 calendars via tanker drop to every dairy farmer in Gippsland. It will include the contact numbers of health service providers and the stories of our amazing farmers who bravely describe their own mental health journeys. Our aim is to end the stigma and help save someone’s life.

— SALLIE JONES (BELOW), OF GIPPSLANDJERSEY.COM.AU



HOW TO GET HELP

- Call beyondblue’s support service 1300 224 636, available 24/7
- Visit the online forums at beyondblue.org.au/get-support/online-forums
- Download the BeyondNow app from the beyondblue website, to support someone whom you believe may be at risk



Submission RS02 – [Paul Ahern and John Davies](#), Foster Chamber of Commerce -
Reject the Rating Strategy and retain status quo



Speaking to Submission - Yes



Re: Submission to the Rating Strategy South Gippsland Shire 2018

The Foster Chamber of Commerce supports the decision of Council on the 21st March 2018 to reject the recommendations of the Rating Review Committee with its changes to the rating strategy.

We advocate maintaining the status quo, and for Council to further review the current strategy over the next 12 months. In particular we advocate that the differential for Commercial and Industrial properties should remain the same as the 2014 strategy. We believe the category Rural Residential (lifestyle blocks) and the rate subsidies enjoyed by the owners of these properties are particularly contentious and should be a focus of that review.

This submission focuses on the disproportionate share of rates, as recommended by the current Rating Strategy Committee, to come from the Commercial and Industrial sectors in the Shire. If these recommendations were to be accepted there would be a significant impact on those businesses with large increases in amounts individual properties would have to pay. The impacts would be far reaching, given the role retail, industrial, and commercial businesses contribute to the economy of our shire.

We would like to quote the philosophy of Council articulated in the letter accompanying the 17/18 Budget which stated “..an increased emphasis on economic development. In a changing global economy we must support our industries to be adaptive and attract new industries to the region.

While agriculture underpins our economy it is augmented by food production, value adding and manufacturing sectors We believe there is a bright future for South Gippsland we just have to have everything in place to harness it.” (Cr. Argento 6/7)

The clear intent of the Rates Strategy Review Committee recommendations clearly gives further relief to the farming sector and owners of small acreages (by categorising the latter as farms). The current Rating Strategy Committee was over represented by the farming sector with an inappropriate amount of discussion on relief for farmers and not enough consideration given to impacts on other sectors (as quoted by Cr. Kiel’s address to council on March 21st).

It is noted that the reintroduction of a municipal charge which was phased out by the previous Rating Review Committee would be regressive and would impact especially adversely on those least able to pay.

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We acknowledge that farmers are also small business operators, indeed there are quite a few 'Main Street' retail or industrial estate owners who also have significant land holdings and operational farms. It is a fact that rates are a form of Wealth Tax, the greater the Capital Improved Value the higher the rates, the more the property owner has to pay. That is the system that Council operates within. At the moment the farmers already have a 70% differential rate.

No one wants to pay more tax, and there is no evidence that small businesses (which represent 95% of all businesses in the Shire) are doing any better than any other sector at present and able to increase their proportion of the contribution to the rate base. Cr. Hill's statement at the March meeting that "businesses can afford to pay their employees so they can afford to pay more And that the increases only equated to a cup of coffee every three weeks" is ludicrous and over simplifies the situation.

In your own Council plan you have acknowledged that the community has requested you to "focus attention on the economic growth of our Shire, the sustainability of our businesses and creation of jobs". The Council plan goes on to acknowledge that "the cost of living is escalating, so please improve the efficiency of your operations and minimise rate rises and keep rates affordable and reduce them where you can". These are the commitments you have made, as councillors, to the South Gippsland community.

Small businesses have a number of pressures they have to deal with. Not only is there the commitment to have the door open at the same time every day, there is the juggle to find enough to pay wages, services and overheads. Electricity costs have risen rapidly and disproportionately lately. The growth of large supermarket chains and the advent of the digital age and online purchasing have meant that small business operators have to be innovative and flexible to be competitive – all of which serves as an additional financial burden. The dramatic changes in the retail sector have adversely affected our main streets, particularly in Leongatha and Korumburra.

The impact of increased rates for Commercial and Industrial categories will directly affect the viability of many retail, commercial and industrial businesses because most of these business lease or rent their properties and pay the direct costs of rates as well as rental.

Another area that directly impacts on the cost of running businesses is the cost of compliance. South Gippsland Shire has its own system of raising funds to pay for its services, but many of those costs and charges affect commercial, retail and industrial rate payers.

We need South Gippsland to be competitive.

Cr. Brown, when speaking to the motion on March 21st, pointed out a number of comparisons with other Gippsland Shires and we stood up well. Historically, our Shire has developed out of the direct needs of farmers to have communities and suppliers within a reasonable distance of their farms. The cost of maintaining the services in our 28 towns and villages is significant. Not only do we want our communities to survive, we need them to prosper, with opportunities for employment.

Therefore, we are not asking Council to 'slash and burn' and cut rates dramatically. What we are asking for is a considered approach to managing budgets, and a considered and fair approach to their rating strategy, which at the present time would be to maintain the current rates status quo.

John Davies

President Foster Chamber of Commerce



Speaking to Submission - Yes

Mr T Tamlin
CEO
South Gippsland Shire Council
LEONGATHA

Dear Tim

I attach my S223 submission for the Council's rating strategy.

I would like to be heard for this submission - it should only have my name on it.

I applaud Council's decision to keep the rating strategy for 12 months while it considers alternative strategies.

I apologise for the lay out of the written presentation but I went on holiday on March 28 and return home on May 21 so am doing this from my holiday laptop.

Yours sincerely

Megan Knight



SOUTH GIPPSLAND SHIRE COUNCIL

Ratings Review Steering Committee

**Advice to Council regarding the Recommendations in
the Report submitted by the Committee**

Megan Knight and Ralph Gallagher

18 February, 2018

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Statement to Council and to members of the Committee –

We believe that the 2018 review of the Shire's rating strategy is incomplete.

We believe that the recommendations put forward in the Committee's report are flawed in that these do not take into account the burden placed on several classes within the ratepaying population.

We believe that the re-instatement of the Municipal Charge ignores the axiomatic declaration by the previous Council (as part of the first review of ratings strategies) that it was a regressive instrument and that it could not be adequately defined.

We believe that both commercial and industrial activities should be encouraged, more such activities should be recruited to the Shire and thus growth will be achieved and more opportunities for work will accrue.

We believe that the excessive weighting accorded anecdotal and single case observations used to dramatise arguments for change was/is inappropriate and puts at risk the integrity of proceedings.

We believe that the strategies enshrined as a result of Council's deliberations in 2014 need little revision or adjustment. There was certainly no case advanced to the contrary.

We believe that the single case concession adopted a year after the 2014 decisions was not warranted and should be reversed.

We seek your careful consideration of the following advice – a minority report – and request earnestly that the implications of the Committee's recommendations be examined in the light of the Shire's own data. The implications are both financial and social.

Megan Knight and Ralph Gallagher



1. PREAMBLE

1.1 Why submit an Alternative Model

The model put to Council in the Draft Rating Strategy Document 2018-2022 and the Draft Recommendations of the Rating Strategy Committee 2018-2022 was supported in Committee by two Councillors and three Committee members.

The proposal tabled by a Councillor in the first instance, provoked energetic discussion by the Committee particularly in the last Committee meeting.

No justification or flow-on implications of the additional differential for farmers and the revised definition of farm land for rating purposes was offered.

There was equally no consideration of the justification or flow on implications for all other classes of ratepayers. This oversight clearly overrode the notional commitment of a rating strategy for all who make up the South Gippsland Shire rating population.

1.2 Purpose of this Report

Consequently we offer advice to Council on rating strategy in the form of an Alternative Model Report.

This report relates specifically to the setting of differential rates and the abolition of the municipal charge.

It also provides an opportunity to comment on the process of the Committee including the unusual position of Councillors who as members of the Committee are able to put forward, debate and promote rating strategies during the community consultation process as well as during the Council's deliberations.

1.3 Summary

Having listened to the extensive discussions and bearing in mind the previous Council's decisions we offer for consideration a set of differentials covering each class of ratepayer. These are listed as counterpoints to the Committee recommendations and are shown in Table 1.

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**Table 1 – Rate Differentials and Municipal Charges
South Gippsland Shire**

Class of Ratepayer	Existing 2014-2018	Alternative Model recommendation	Proposed from Committee
Commercial	1.05	1.05	1.10
Cultural & Recreation	0.50	0.50	0.50
Farm	0.70	0.70	0.65
General	1.00	1.00	1.00
Industrial	1.05	1.05	1.20
Rural Residential	0.70	Delete category	Delete category
Rural Vacant	New category	1.40	1.40
Vacant	2.00	2.00	2.00
Municipal Charge	No	No	5%

2. METHODOLOGY

- 2.1 We would like to pay tribute to Stuart Smith, Finance Manager, and his team, the Shire Valuer and Ms Aileen Clark (Senior Rates Officer) for the professional services provided to the Committee.
- 2.2 Data – All of the data used in this Report are from the anonymised database provided by the Finance Manager and Rates team using Shire data as at late 2017. Data not from this source are otherwise specifically attributed

3. RATING PRINCIPLES ADHERED TO IN THIS STRATEGY

3.1 Core Principle

As a core principle we endorsed the principles and strategy of the 2014-2018 Report which set a generally well received and thoughtful strategy over the past four years.



3.2 Wealth Tax Principle

Rates are levied against the value of a property – that is one component of what may be defined as “wealth”.

3.3 Equity Principle

There are two main equity concepts to take into account. Horizontal equity where ratepayers in similar situations should pay similar amounts; and vertical equity where those who are better off in terms of “land wealth” should pay more.

3.4 Efficiency principle

The efficiency of a tax is related to the cost of administration. Economic efficiency also has to be considered which is the extent to which production and consumption decisions by people are affected by a tax.

3.5 Simplicity

The rating system has to be easily understood by the ratepayers. Note that this principle can conflict with the principles of equity and efficiency.

3.6 The Benefit Principle

The benefit principle argues that there should be a clear nexus between consumption/benefit and the rate burden. Simplistic determinations of benefit are hard to quantify and easily distorted.

3.7 Capacity to pay

There is a choice that capacity to pay is fundamentally reflected by property value or the alternative which is that the application of the wealth tax and benefit principle should be moderated by capacity to pay considerations

3.8 Diversity

There is enormous diversity within the various property groupings. There are practical limits to the extent that classes may be differentiated .

4. KEY FEATURES

The key features we consider in this report are :

- 4.1 Capital Improved Value (CIV)
- 4.2 Differential Rating System
- 4.3 Equity
- 4.4 Rate in the Dollar

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5. RATING SYSTEM – DIFFERENTIAL

We endorse the Differential Rating System introduced by the State Government in 1989 (or thereabouts) noting that its purpose was to allow Councils some flexibility in the context of the overarching use of Capital Improved Value as the “base”.

6. VALUATION BASE

We endorse the valuation base of Capital Improved Value (CIV). It is universally applied throughout Victoria.

7. RATE IN THE DOLLAR

**Table 2 – RID Rate in the dollar
(Shire data base)**

Rating Class	Existing	Alternative Model	Proposed from Committee
Commercial	.0057411	.0057240	.0057869
Industrial	.0057411	.0057240	.0063129
Cultural & Recreation	.0027386	.0027343	.0026304
Farm	.0038274	.0038280	.0034195
Rural residential	.0038274	Delete class	Delete class
Rural vacant	New class	.0076560	.0073651
Vacant	.01093542	.0109371	.0105216
General	.00546771	.0054686	.0052608
Municipal Charge	No	No	Yes 5%- \$100 per assessment approx.

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Table 3
Comparison of RID
(From Shire rating strategies)

Rating Class	SGSC Alternative	SGSC Proposed	Baw Baw	Wellington	Moyne
Commercial	.0057240	.0057869	.005518	.005436 +WI + EPA	.0023634
Industrial	.0057240	.0063129	.00518		
Farm	.0038280	.0034195	.004138	.004349 +WI	.0023634
General	.0054686	.0052608	.004598	.005436	.0023634
MC	No	\$100	No	No	\$255
Waste Infrastructure	No	No	No	\$50	\$127
EPA Levy	No	No	No	\$14.92	\$12.60

Table 4
Comparison of Assessment Impacts – SGSC
(Shire data base)

Class	CIV	Existing	Alternative Model	Proposed from Committee
Commercial	200,000	1,148.22	1,148.40	1,257.81
	500,000	2,870.55	2,871.00	2,993.87
	800,000	4,592.88	4,593.60	4,729.93
Industrial	200,000	1,148.22	1,148.40	1,363.02
	500,000	2,870.55	2,871.00	3,256.91
	800,000	4,592.88	4,593.60	5,150.79
Farm	200,000	765.48	765.60	784.34
	500,000	1,913.70	1,914.00	1,810.19
	800,000	3,061.92	3,062.40	2,836.04
General	200,000	1,093.54	1,093.71	1,152.59
	500,000	2,733.86	2,734.29	2,730.83
	800,000	4,374.17	4,374.86	4,309.07

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Table 5
Comparison of Assessment Impacts – Other Shires
(Shire rating strategies)

Class	CIV	Baw Baw	Wellington	Moyne
Commercial	200,000	1,103.60	1,152.12	867.28
	500,000	2,759.00	2,782.92	1,576.30
	800,000	4,414.40	4,413.72	2,285.32
Industrial	200,000	1,103.60	1,152.12	867.28
	500,000	2,759.00	2,782.92	1,576.30
	800,000	4,414.40	4,413.72	2,285.32
Farm	200,000	827.60	919.80	867.28
	500,000	2,069.00	2,224.50	1,576.30
	800,000	3,310.40	3,529.20	2,285.32
General	200,000	919.60	1,152.12	867.28
	500,000	2,299.00	2,782.92	1,576.30
	800,000	3,678.40	4,413.72	2,285.32

8. MUNICIPAL CHARGE

We do not support the reinstatement of this charge.

Justification :

- 8.1 This charge is regressive in nature; it was abolished following the previous review.
- 8.2 It results in lower valued properties paying higher overall rates and charges than they do at present with no municipal charge
- 8.3 It is clearly a severe penalty to those 12,526 general ratepayers with properties with a CIV of less than \$500,000.
- 8.4 Conversely, higher valued properties receive a substantial benefit
- 8.5 The equity objective in levying rates against property values is lost in a municipal charge as it is levied uniformly across all assessments; a contrast with the philosophy behind the CIV strategy.
- 8.6 Lack of transparency is inherent in its application as administration costs – the justification for the charge – is not defined
- 8.7 Transparency is a key rating principle; the charge is difficult to detail.



- 8.8 The Committee approved the reintroduction of the Municipal Charge "... in stark contrast to the previous Committee which recognized that any Municipal Charge is regressive in nature and recommended reducing the municipal charge from 20% to 0% " (p. 128 Confidential Briefing)

9. FARMING DIFFERENTIAL

We recommend the continuation of the existing differential of 0.70 for farmers.

Prior to 2014 many farmers received the benefit of a municipal charge of 20% and a differential rate of 0.90. The 10% differential took into account the difficulty farmers faced in using land as their means of production and their capacity to pay.

The 2014 strategy removed the municipal charge. Council then made the favourable decision to set a differential of 0.70 taking into account the benefit farmers had received from the municipal charge of 20% and continuing the 10% differential for the difficulties the farming group can face.

Council did not foreshadow any need to go further and it is a reasonable conclusion in our view that this substantial realignment took adequate note of the specific needs of this group of ratepayers. The two factors in the decision – the abolition of the municipal charge and the 10% allowance were clearly linked.

"Whilst the principle of equitable sharing of the rate burden was of course carefully considered, some members of the Committee struggled with the concept that the rating instrument is a blunt instrument which taxes wealth against the value of land. So it naturally follows that if considerable valuable land is accumulated by a particular group they will of necessity pay a larger percentage of total rate revenue" (p. 128 Confidential Briefing to Council)

10. DEFINITION OF FARM LAND

We recommend the retention of robust definition of farm land which encompasses the "less than 20ha rule".

It is our view that Council should rely on soundly based definitions of ratepayer classes and should not pursue single case strategies.

It was the firmly stated intention of the 2014 strategy to exclude lifestyle and hobby farmers from receiving the farming rate.

That strategy included a robust definition of farm land – broad acre farm land less than 20Ha was not eligible. Ratepayers appreciated the clear cut off points and there were few appeals.

Then a single episode case, tabled in 2015, enabled properties over 18.3h to receive the same differential as farming.

In accordance with the legislative framework and legal advice Council was **not** able to classify this property (and subsequently 35 others) as farms and was forced to create a new class called Rural Residential. These ratepayers not only received the farming differential but were also able to receive the residential Fire Services Levy – a considerable saving.

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Our view is that the “less than 20ha rule” for properties with an AVPCC code of 510 530 – (that is grazing and mixed farming) should **not** be watered down.

Our view is strengthened by the continuing numerous presentation of various options all trying in essence to reduce the rate in the dollar of their lifestyle properties. “It would appear that the challenge is not one of (Council) failing to recognize genuine farming businesses but rather a more basic question of the rate burden” (Maddocks legal opinion 6/15)

Note that the principle of “less than 20ha” is also supported in the Confidential Council briefing.

“There are serious concerns from an officer point of view that relaxing this definition could potentially open the flood gates of up to 1,900 properties (currently classified as AVPCC 117) seeking to appeal their code and be reclassified as a Farming Code in order to receive the benefit of the Farm rate. The current (2014) definition does not allow this. Not only could this change have a significant impact on the time of the valuer, it also opens up the possibility of aggrieved owners who are knocked back on their application taking further action at VCAT, further increasing the administrative cost/burden. It should also be noted that any successful applications to this current Rural Lifestyle classification will have budgetary impact as the difference between the rate raised for each successful application and the Farm rate will have to be written off.” (p. 129 Confidential Briefing).

The financial risk is also increased as the financial implications hit not only the 18/19 budget but flow through to future budgets. With a difference in the differential rate of 35% this is a significant compounding amount.

Table 6 – Loss of rate revenue
Based on Proposed by Committee model of 0.65 farming + MC of 5%

CIV Range	No of assessments	% estimated who may be eligible	Av. Farm rate for range	Farm rate revenue	Av. General rate for range	General Rate revenue	Loss of revenue
400,000 – 500,000	1640	400	1639.21	655,684	2467.79	987,116	331,432
500,000 – 650,000	875	400	2066.64	826,656	3125.39	1,250,156	423,500
650,000 – 850,000	166	80	2665.05	213,204	4046.03	323,682	110,478
An estimation of Total Loss to Overall Revenue for the first year							865,410



11. INDUSTRIAL LAND AND COMMERCIAL LAND

We recommend the retention of the differential of 1.05 for each of these classes.

The Committee received advice from a Councillor member that a substantially increased differential for these two classes was appropriate because Council had already provided extensive monetary assistance.

However subsequent advice from Council staff and the Councillor put in fact a quite opposite view.

We are particularly taken by the philosophy of Council articulated in the letter accompanying the 17/18 Budget which stated “ ... an increased emphasis on economic development. In a changing global economy we must support our industries to be adaptive and attract new industries to our region. While agriculture underpins our economy it is augmented by food production, value adding and manufacturing sectors. ... We believe there is a bright future for South Gippsland we just have to have everything in place to harness it.” (Cr. Argento 6/17)

Council needs to consider this – not as a reason to discard its agricultural emphasis – but to acknowledge the need for a broader based economy with opportunity for job growth. Consequently the case for support of those areas which will grow is strong.

Our Shire continues to be dominated by small towns which now reflect a decline in population and a rapid ageing of those who remain. These towns and communities are much more than bricks and mortar and are part of our rich history. The Shire has a strategic objective of vibrant commercial centres in our small and large towns. Rating policy should reflect support for retaining and growing the population of our small towns.

12. RURAL RESIDENTIAL

We recommend that this class of ratepayer be deleted.

Comment is offered under 10 – Farm Land

13. VACANT LAND

We recommend that a differential of 2.00% be retained for this class.

Advice provided to the Committee emphasised Council’s strong commitment to the development of vacant land.

We understand and support this principle and accept in the absence of any contrary justification, that this higher differential is an appropriate strategy.



14. RURAL VACANT LAND

We recommend that a category of Rural Vacant Land be created and a differential of 1.4 applied.

Advice provided to the Committee was that lots of vacant land less than 20ha, not eligible for a building permit and not part of a larger farm enterprise, could not be considered a genuine farm business.

We understand and support this principle and accept that this differential is an appropriate strategy.

15. CULTURAL AND RECREATION LAND

We recommend that Council continues to apply a differential of 0.5 for properties that meet the cultural and recreational land definition

This meets the Council's objective of encouraging the outdoor sporting, recreational and other pursuits.



Submission RS04– [Ralph Gallagher](#) – Determine the Rating Strategy for the next four years now based on existing strategy with minor adjustment



Speaking to Submission - Yes

To: Chief Executive Officer, Shire of South Gippsland

By: Ralph Gallagher

Please note that I would appreciate the opportunity to speak to the content of this submission at the meeting scheduled for Wednesday, 23 May 2018.

1. Preamble

Over a number of years Council has sought to promote the efforts to *rebalance the rating* strategies. The statement made in recent years by the then Mayor heralded the impact of the most recent effort.

The Rating Strategy 2013-2018 adopted by Council in June 2013 introduced a two year transition to implement changes that re-balanced inequities from the previous Rating Strategy. As a result of the final changes being introduced this year around 2,470 residential rate payers experienced a rate reduction, around 2,800 residential rate payers received a lower rate increase than the average 4.9% and 1,080 rate payers experienced a rate increase over the average 4.9%.

These comparisons indicate how Council has reduced the rate burden on lower valued residential properties, while high value residential properties have increased.

There are obvious deficiencies in the statement not least because it makes no reference to the impact of the new strategy on some two-thirds of the Shire's ratepayers. It also avoids any reference to the mismatch between the anticipated cap on rates and the average increase determined by Council. The statement clearly maintained the tradition of inadequate information and the pall of a South Gippsland fog again enshrouded the ratepayers. And of course the reference to the re-balancing of inequities (whatever these were) was meant to please (appease) the ratepayers!

2. The Rating Strategy Review 2017

The opportunity to join the rates strategy review offered a first-hand chance to gain a *better* understanding of the process and in particular to glean an understanding of the impact of rates strategies across the whole of the Shire. I am grateful for that opportunity, welcome the new-found knowledge of the system, better appreciate the factors affecting the declaration of rates and understand the conflict that can be energised by a singular approach on the part of a vested interest. The following comments reflect this improved capacity.



3. The Review Outcomes

After many meetings, two reports were presented to Council by the Rating Strategy Review Committee. The two members of the Committee who submitted the minority report argued that at least three of the proposals for change offered by the majority were significantly at odds with the changes flowing from the 2013 review.

- ❖ The reintroduction of the Municipal Charge was inappropriate. Council has previously declared it to be a regressive impost, one that disadvantages the lower valued property assessments and advantaged the higher valued assessments. Consequently it flies in the face of the *capacity to pay* principle.
- ❖ The proposed change to the Farms differential has not been supported either by fact or circumstance. All of the argument put relied on inappropriate or irrelevant statistics, single case observations and consistently failed to address the impact on all other groups of the changes proposed.
- ❖ The changes to the Commercial and Industrial differentials would not support the Council's plans to encourage growth.

In addition the reversal of the single case decision relating to an 18.3 ha. property some 12 months after the declaration of the previous review is warranted particularly since it was taken against legal advice to the contrary.

4. Further Review

Council has elected to proceed on the basis of the existing strategies and conduct a further review over the next 12 months. It is not clear why a further review is needed and indeed whether Council has sufficient *spare* time to conduct its own review. Nor is it clear what further useful and relevant information (beyond that contained in the two reports) would be gathered. Council has access to a considerable database that is able to assist immediately in setting the rates for the next four years; the data make it clear that the propositions in the minority report are valid. Council also has access to data relating to the practices in other Shires that would serve the debate on differentials.

5. Conclusion

Council is urged to consider again the principles it has declared previously and consequently determine its ratings strategy for the next four years now.

Ralph M Gallagher