Submission No 85

INQUIRY INTO LOCAL GOVERNMENT FUNDING AND SERVICES

Organisation: Indigo Community Voice Inc.

Date Received: 28 June 2024

[redacted]

June 2024

Local Government Inspectorate

[redacted]

COMPLAINT

To Whom it may concern,

This complaint is lodged on behalf of Indigo Shire ratepayers.

Executive Summary

In this Complaint, the author will demonstrate that:

- Indigo Shire Council (ISC) staff and six out of seven of its councillors are not acting in the best interests of ratepayers and are therefore in breach of *Local Government Act 1989 (the Act)*;
- ISC is consistently levying *General Rate* increases which exceed, by a gross margin, the *Rate Caps* mandated by the Minister for Local Government *(the Minister)* under *the Act*;
- ISC staff have endeavoured to discredit a proposal which eliminates those excessive *General Rate* increases;
- The Essential Services Commission does not adequately audit Councils' rate increases; and
- The *Ministerial Guidelines for Differential Rating - April 2013* need to include a requirement for *Differential Rates* to be reviewed after assessable properties have been revalued.

Background

A 2012 amendment to the *Local Government Act 1989 (the Act)* empowered *the Minister* to set *Guidelines* for the application of *Differential Rates* and to prevent Councils from applying *Differential Rates* that are inconsistent with those *Guidelines*.

S.161 (2A) of *the Act* requires that local government must have regard to these *Guidelines* before declaring a *Differential Rate* for any land.

According to the *Guidelines*, section 3A(1) of *the Act* provides that the primary objective of a Municipal Council is to *"endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effects of decisions."* In seeking to achieve its primary objective, a Council must have regard to a number of facilitating objectives including the objective in section 3C(2)(f) of *the Act* to *"ensure the equitable imposition of rates and charges"*.

In 2015, the State Government introduced the *Victorian Local Government Rate Cap* under the *Fair Go Rates System*, to prevent excessive rate hikes for property owners.

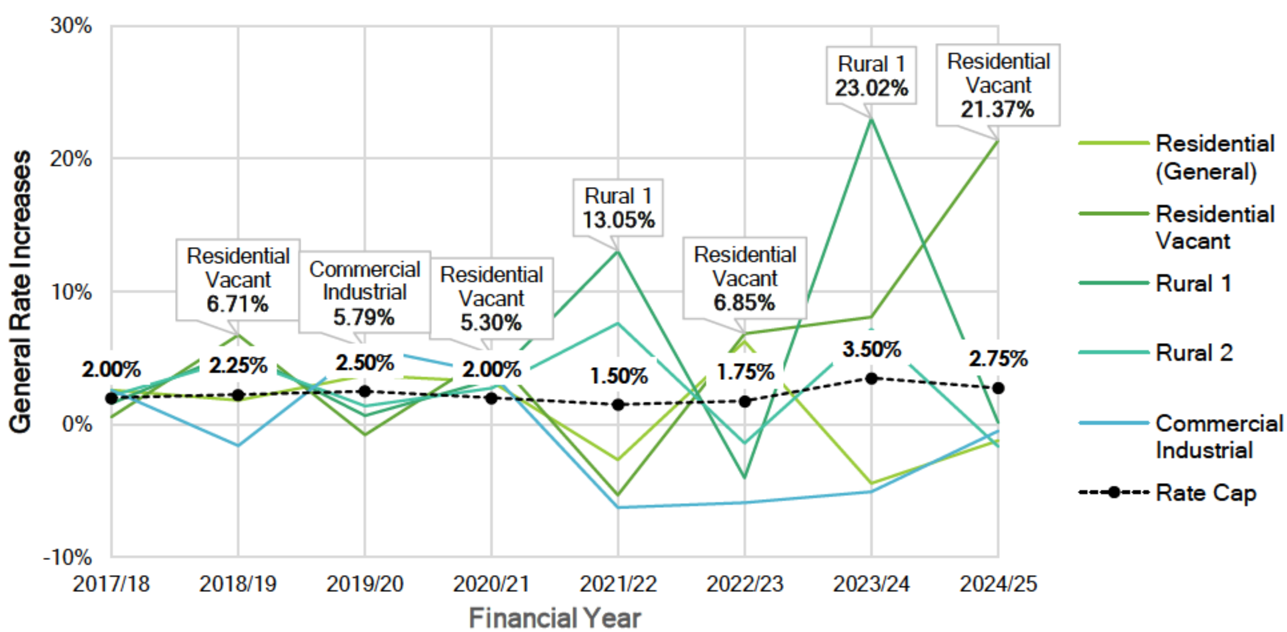
In 2016, ISC incorporated *Differential Rating* in its *Rating Strategy*.

The Effect of ISC's *Rating Strategy*

In 2022, when the author was a member of ISC's Revenue & Rating Strategy Reference Group, he discovered that the application of ISC's *Rating Strategy* resulted in excessively high *General Rate* increases for ratepayers in one or more property categories each year. He further discovered that these outcomes are caused when the value of the properties in the different property categories do not increase at the same rate.

Figure 1 shows the effect of ISC's *Rating Strategy*, which the author first discovered in 2022 and updated with the latest values in 2023 and 2024.

Figure 1. **General Rate Increases vs Victorian Government Rate Caps**



The excessively high *General Rate* increases range from 2.3 times the *Rate Cap* in 2018/19 for *Commercial Industrial* properties to 8.7 times for *Rural 1* properties in 2021/22, with significantly high increases for *Rural 1* and *Residential Vacant* properties in 2023/24 and 2024/25. Those *General Rate* increases exceed the mandated *Rate Caps* by a considerable margin.

The Purpose of *Differential Rates*

Local government rate levying is based on a 'Wealth Tax' principle where property values are deemed to be the measure of wealth. But rate levying based on property valuations alone does not always produce equitable results.

Differential Rates are a tool, established under *the Act* in 2012, for use by local governments to ensure a fair distribution of the rate burden among different categories of properties and land uses.

Under ISC's *Rating Strategy*, property values and the *Differential Rates* are the only factors which determine the quantum of *General Rates*. It became apparent to the author that when there are disparate increases in the property values of different property categories, unless there was some corresponding adjustment of the *Differential Rates* there could be no fairness and equity.

When the author adjusted the *Differential Rates* so that the average *General Rate* increase for each property category was as near as possible the same, the outcomes are as shown in Figure 2.

Figure 2. **General Rate Increases after Differential Rate Adjustment**

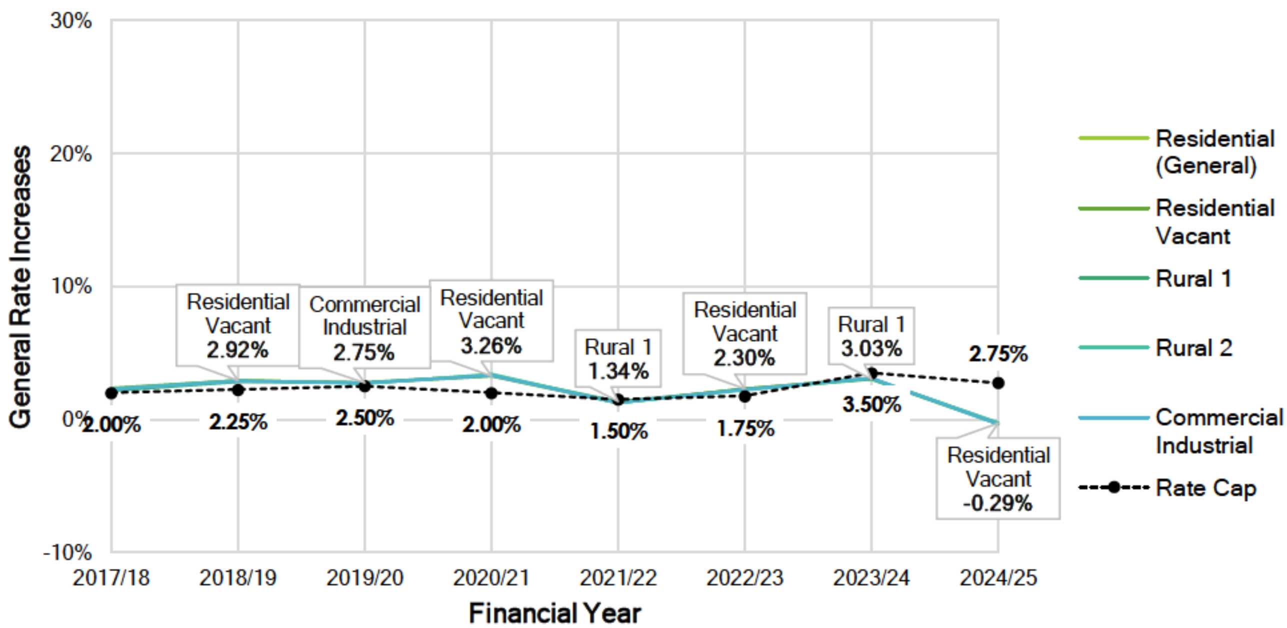


Figure 2 shows that adjusting the *Differential Rates* is essential to achieving fairness and equity in *General Rate* levying.

The Effect of ISC's *Rating Strategy* in 2024/25

Figure 4 shows a comparison of average property value increases in Indigo Shire and the *General Rate* increases levied under ISC's *Rating Strategy* for the 2024/25 financial year.

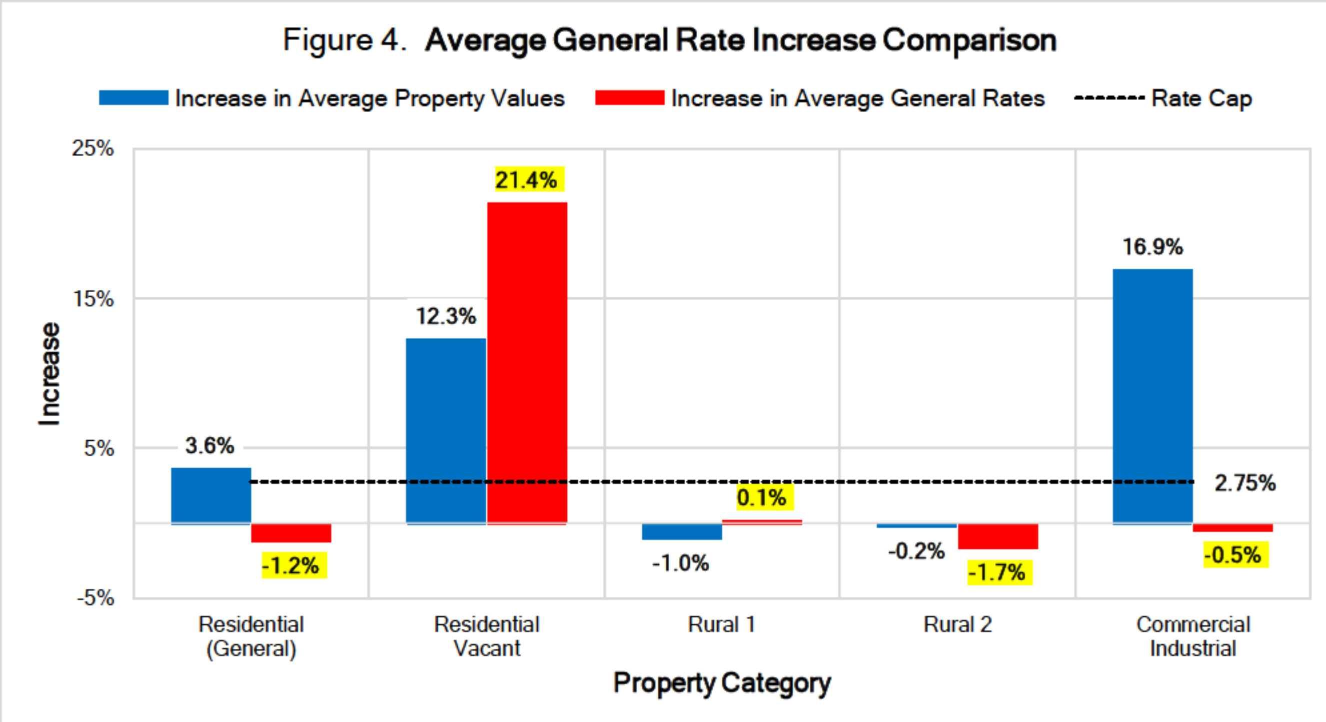


Figure 4 and Table 1 below clearly illustrate the absurd and inequitable outcomes of ISC's *Rating Strategy*.

Table 1. **Average General Rate Increase Comparison**

Property Category	*Increase in Average:*	
	Property Values	General Rates
Residential (General)	**3.60%**	**-1.20%**
Residential Vacant	**12.30%**	**21.40%**
Rural 1	-1.00%	0.10%
Rural 2	-0.20%	-1.70%
Commercial/Industrial	**16.90%**	**-0.50%**

As shown in Figure 5 and Table 2 below the effect of ISC's *Rating Strategy* for the 2024/25 financial year becomes even more bizarre when the *General Rate* increases are compared with the Total Property Value increases.

A reasonable and disturbing conclusion, which could be drawn from Figures 4 and 5, is that a fall in Total Property Values in a property category will cause an increase in *General Rates* in that property category. The greater the fall in Total Property Values the greater the increase in *Rates*.

But that is not a reasonable conclusion because it does not account for the excessively high *General Rate* increases for *Rural 1* properties in 2023/24.

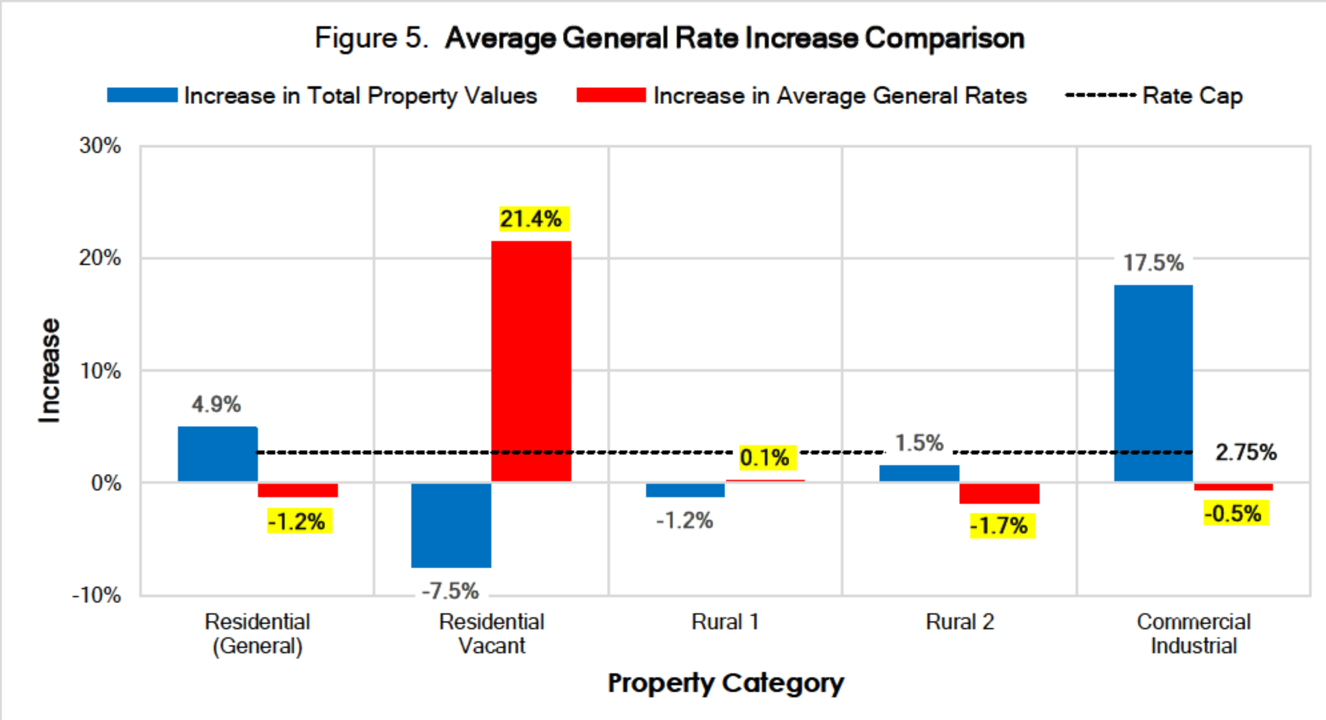


Table 2. **Average General Rate Increase Comparison**

Property Category	*Increase in:*	
	Total Property Values	*Average General Rates*
Residential (General)	4.90%	-1.20%
Residential Vacant	**-7.5%**	**21.40%**
Rural 1	**-1.2%**	**0.10%**
Rural 2	1.5%	-1.70%
Commercial/Industrial	17.5%	-0.50%

As already stated, *Differential Rates* can be used by local governments to ensure a fair distribution of the rate burden.

While not included in the *Ministerial Guidelines for Differential Rating*, there is a strong case for *Differential Rates* to be reviewed and, if necessary, adjusted after properties are revalued.

The author has developed a simple method for adjusting the *Differential Rates* in a way which produces an equitable and fair outcome for every ratepayer.

Submissions to ISC

The author first submitted his finding to ISC on 30 May 2023. *Appendix 1* shows the relevant reply from ISC's responsible Director.

The author again submitted his findings to ISC on 1 May 2024. *Appendix 2* shows the reasons for rejection from ISC's responsible Director and *Appendix 3* is the response to those reasons for rejection.

At ISC's Council Meeting on 23 April 2024, Councillor Roberta Horne moved an amendment to Item *11.2 Draft Revenue and Rating Strategy* that councillors should take the time to consider the author's proposal. But none of the other councillors seconded the motion, ensuring there would be no debate.

On 4 June 2024, a group of Indigo Shire ratepayers, the Indigo Community Rating Reference Group (ICRRG), proposed an amendment to ISC's *2024/25 Budget* and its *Revenue and Rating Strategy* with the submission shown in *Appendix 4*.

An offer to brief councillors and staff was declined by ISC's Chief Executive Officer.

Appendix 5 is the ICRRG's response to the *Agenda* for ISC's Council Meeting on 25 June 2024.

At ISC's Council Meeting on 25 June 2024, Councillor Roberta Horne moved an amendment to the *2024/25 Budget* which would have distributed *General Rate* increases equitably across all ratepayers. But none of the other councillors seconded the motion, again ensuring there would be no debate.

Summary

General Rates determined under a *Differential Rating Strategy* are governed by only two factors:

- Property Values; and
- *Differential Rates*.

Increases in *General Rates* levied under ISC's *Rating Strategy* have been erratic and consistently exceeded the *Victorian Government Rate Cap* by a significant margin.

If there is no change to the current draft, those outcomes will be perpetuated under ISC's *2024 Draft Revenue and Rating Strategy*.

To conform with the 'Wealth Tax' principle, property values should not be changed. But there is nothing which prevents Council from regularly adjusting the *Differential Rates* to ensure fair and equitable outcomes for ratepayers

The proposal put forward to ISC:

- Applies the *Rate Cap* to ratepayers' *General Rates* instead of just Council's *Total General Rate Revenue*.
- Fairly and equitably distributes Council's *General Rate* increases.
- Provides financial certainty for ratepayers.
- Complies fully with the *Ministerial Guidelines for Differential Rating*, developed under *the Act*.

Why ISC staff and a majority of its councillors will not even consider the proposal, let alone adopt it, is beyond comprehension. But by failing to do so, they are not acting in the best interests of ratepayers and are, therefore, in breach of *the Act*.

Yours sincerely,

[redacted]

(H. F. Ellerbock)

Herb Ellerbock
President, Indigo Community Voice Inc.

[redacted]

Appendices:

1. Indigo Shire Council Reply to Proposal - 6 July 2023
2. Reasons for Rejection - 1 May 2024
3. Response to Reasons for Rejection (not submitted)
4. Submission to Council – 4 June 2024
5. Response to Council Agenda – 23 June 2024

Indigo Shire Council Reply – 6 July 2023

[redacted]

Hi Herb,

As part of the budget feedback process, your email has been;

1. Supplied to all Councillors in its original form,
2. Included in the Council agenda (with personal details redacted).

In addition, Council also wanted to make sure that the submissions were considered by the relevant service areas and therefore I am the person who will consider your feedback and it's place in the upcoming plans and budgets.

In response to your specific submission I offer the following thoughts and notes on the different points you raise. I note that you have raised a number of items and so please excuse the bullet-point format.

…

- Rating Strategy.
    - This project is on hold due to a staff vacancy (Finance Manager). We are keen to get this one finalised and will endeavour to progress it as soon as resourcing permits.
    - The rating strategy working group suggestions will be an important input into the draft strategy. These suggestions will require a fair bit of consideration – hence the delay until we have the capacity to progress.
    - Your suggestion for a "Dynamic" differential is noted and I thank you for your great work to show how this could work. This will also be considered when we get back into the project. **At first glance I would say that I have concerns that it would erode the 'wealth tax' principle that the rates system is designed around**, but perhaps there is something in the concept that could be considered to smooth the year-to-year variances. Not sure yet, but great food for thought. Thanks again for your work on this.

…

I hope that helps Herb. We appreciate your time to make this submission and we will take your feedback on board as we head into the new financial year and work through the rating strategy and FY25 budget build. I trust that this email helps close the loop on a number of your suggestions.

Regards,

[redacted]

Reasons for Rejection – 1 May 2024

[redacted]

Hi Herb,

…

The issue is that I looked at your model when you sent it through previously and we considered it to see if it was something that we could use or adapt. But there are a number of significant problems that make it unsuitable, and we can't think of any way to improve the model to make it work. So we decided that it wasn't something that we could recommend to Council.

However, I should clarify that your email will be included as one of the submissions for the Councillors to consider when they review all of the submissions made about the Revenue and Rating Strategy. So it will absolutely be part of the pack of submissions that Councillors receive, and they get to consider the merits of your suggestion.

I feel your next question is "what didn't I like about the dynamic model?". The reasons why I cant recommend this to Council are:

- It risks breaching the Local Government Act by breaking the 400% rule. Your own modelling shows that in just the first year the Rural 1 Differential would need to adjust to 65% and the Residential Vacant snuck up to 205%. If a similar shift happened in year 2 then the whole model would be illegal and could not be legally used. Council would then be in a position of having no legal rating strategy. Obviously this may not happen (depending on valuations) but over the course of time I suspect that this is a very real issue with the model. [Reason 1]

- The focus on having the average increase of each differential stay at the rate cap doesn't address the issue that individual ratepayers would still have large swings in valuations/rates. So the average looks nice and smooth, but once you expand the data to the full property set the result doesn't achieve the smoothing that you are aiming for. Compare this to the State Government's (now defunct) VAM model that would work for every single ratepayer. So there are better systemic options for smoothing rates that would work for all properties – not just the average of each differential. [Reason 2]

- The system is too complex and difficult for ratepayers to understand. Even the much simpler VAM model was ruled out by the State Government partially because of its complexity. So the addition of a dynamic model would add a lot of complexity and confusion for little benefit. [Reason 3]

- The other fault with the VAM model that also applies to yours is that ratepayers who should receive a reduction in rates should be entitled to it in its full quantum and that benefit should apply immediately. This seems to me to be one of the State Government's main issues with the VAM model and I don't think that there would be support for a model that reduces or delays the reduction that is due to people who's relative property value decreases (at any time, but particularly in a cost of living crisis). [Reason 4]

Reasons for Rejection – 1 May 2024

- The model you propose breaks (or at least significantly reduces) the link between property value and rates. This 'wealth tax' principle is one of the most central pillars of the rating system. Put another way, when a particular class of property increases dramatically in price (read: those property owners become richer) then their rates are adjusted down to the average (read: they pay a relatively smaller share of the rates). Or the opposite…. When someone's property reduces in relative value (i.e. they become relatively poorer), their rates are adjusted up to the average so they pay a higher proportion of the total rates. This is a significant issue (probably the most significant issue) with the model. [Reason 5]

- The break from the wealth principle has a knock-on impact for our governance expectations. Because the dynamic model effectively shifts the rates burden away from people who become wealthier and moves it toward those who have a relative reduction in wealth then this is a decision that we would expect to consult with the community about. Put another way, adjusting the differential percentages should be a community discussion and a deliberate decision – not a formula that does it automatically without consultation. Despite the fact that the model creates uniform average increases, the mechanism moves the rates/wealth calculation in ways that are not appropriate to do behind closed doors. We would need to be more deliberative and consultative before moving the rates burden. [Reason 6]

- The model locks in the current relative valuations as they apply in a single base year. In reality we see the valuations move every year, but over time the relative proportions converge. By selecting a single base year to start a dynamic differential model the implication is that the base year is a normal/typical/correct year. I don't think that this is a reasonable assumption and may disadvantage one of the differential categories. This is not a fatal problem with the model and could be solved with some multi-year averaging, but it is still a problem that makes the model difficult to support. [Reason 7]

So there are a number of concerns that I see with the dynamic model and there is no fix for the big concerns. **I haven't spent too long looking at it**, but even these initial issues indicate that I can't recommend it for the draft Revenue and Rating Strategy.

But, as I said, Councillors will review all submissions (with yours of course) before making a final decision on the Revenue and Rating Strategy and they may choose to make a different decision and ask to explore this more. In the end it is a Council decision and not mine. But it is my job to advise Council based on my knowledge of the rating system and I can't see any way to support the dynamic model.

…

[redacted]

Response to the Reasons for Rejection

Reason for Rejection 1

> *"It risks breaching the Local Government Act by breaking the 400% rule. Your own modelling shows that in just the first year the Rural 1 Differential would need to adjust to 65% and the Residential Vacant snuck up to 205%. If a similar shift happened in year 2 then the whole model would be illegal and could not be legally used. Council would then be in a position of having no legal rating strategy. Obviously this may not happen (depending on valuations) but over the course of time I suspect that this is a very real issue with the model."*

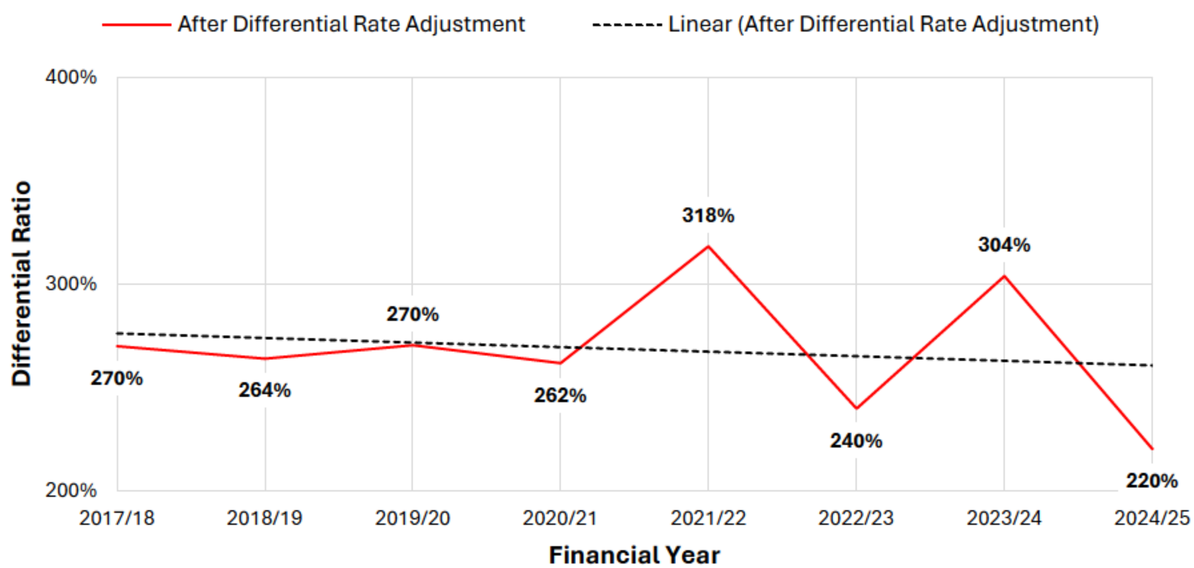
Explanation: Under the 400% Rule, the ratio of the highest to the lowest *Differential Rates (the Differential Ratio)* cannot exceed 4 to 1.

This reason for rejection shows no understanding of the effect of the *Differential Rate* adjustments, which commence from their static percentages each year.

As shown in Figure 1, each positive movement in the *Differential Ratio* is followed by a negative movement in the following year. The linear trend over the past 8 years has been a reduction in the *Differential Ratio*.

Excessive movement of the trend in one direction or another should trigger a review of the static *Differential Rates*.

Figure 1. **400% Rule - Differential Ratio**



Response to the Reasons for Rejection

Reason for Rejection 2

> *"The focus on having the average increase of each differential stay at the rate cap doesn't address the issue that individual ratepayers would still have large swings in valuations/rates. So the average looks nice and smooth, but once you expand the data to the full property set the result doesn't achieve the smoothing that you are aiming for. Compare this to the State Government's (now defunct) VAM model that would work for every single ratepayer. So there are better systemic options for smoothing rates that would work for all properties – not just the average of each differential."*

This is a matter of basic arithmetic. If the *General Rate* per $ of Capital Improved Value for a property set is reduced, it follows that the *General Rate* charge all properties in the set will be reduced by a corresponding amount.

For example: in 2023/24, the average value of *Rural 1* properties was $1.58 million. Those properties ranged in value from less than 1/25th to more than 10 times that average value.

The *General Rate* for *Rural 1* properties before *Differential Rate* adjustment was 0.001536. After adjustment it was 0.001248.

The Table below shows the effect:

Property Values		Rate Charge before adjustment	Rate Charge after adjustment	Rate Charge Reduction	
1/25th of Average	$63,200	$97	$79	$18	18.7%
Average Value	$1,580,000	$2,427	$1,973	$454	18.7%
10 x Average	$15,800,000	$24,269	$19,726	$4,543	18.7%

Regardless of the property value, each ratepayer benefits from the same percentage reduction of their *General Rate* charge.

There is no better systemic option that works for all properties.

Reason for Rejection 3

> *"The system is too complex and difficult for ratepayers to understand. Even the much simpler VAM model was ruled out by the State Government partially because of its complexity. So the addition of a dynamic model would add a lot of complexity and confusion for little benefit."*

Response to the Reasons for Rejection

That is a patronizing and uninformed statement.

There is nothing complex about adjusting the four *Differential Rates* so that the percentage increase in all *General Rates* is as near as possible the same. It is achieved by the simple goal-seeking algorithm which can be run by anyone with the most basis Microsoft Excel skills.

It is not necessary for ratepayers to understand how the algorithm works.

Reason for Rejection 4

> *"The other fault with the VAM model that also applies to yours is that ratepayers who should receive a reduction in rates should be entitled to it in its full quantum and that benefit should apply immediately. This seems to me to be one of the State Government's main issues with the VAM model and I don't think that there would be support for a model that reduces or delays the reduction that is due to people who's relative property value decreases (at any time, but particularly in a cost of living crisis)."*

That is a nonsensical statement. This proposal does not average property values or rates over consecutive years.

Reason for Rejection 5

> *"The model you propose breaks (or at least significantly reduces) the link between property value and rates. This 'wealth tax' principle is one of the most central pillars of the rating system. Put another way, when a particular class of property increases dramatically in price (read: those property owners become richer) then their rates are adjusted down to the average (read: they pay a relatively smaller share of the rates). Or the opposite…. When someone's property reduces in relative value (i.e. they become relatively poorer), their rates are adjusted up to the average so they pay a higher proportion of the total rates. This is a significant issue (probably the most significant issue) with the model."*

Like the assertion in *Reason for Rejection 1* this is an uninformed statement that shows no understanding of this proposal which does not alter the Valuer-General's Property Valuations, the sole measure of Ratepayers' wealth.

This proposal fully complies with the 'Wealth Tax' principle.

Reason for Rejection 6

> *"The break from the wealth principle has a knock-on impact for our governance expectations. Because the dynamic model effectively shifts the rates burden away from people who become wealthier and moves it toward those who have a relative reduction in wealth then this is a decision that we would expect to consult with the community about. Put another way, adjusting the differential percentages should be a community discussion and a deliberate decision – not a formula that does it automatically without consultation. Despite the fact that the model creates uniform average increases, the mechanism moves the rates/wealth calculation in ways that are not appropriate to do behind closed doors. We would need to be more deliberative and consultative before moving the rates burden."*

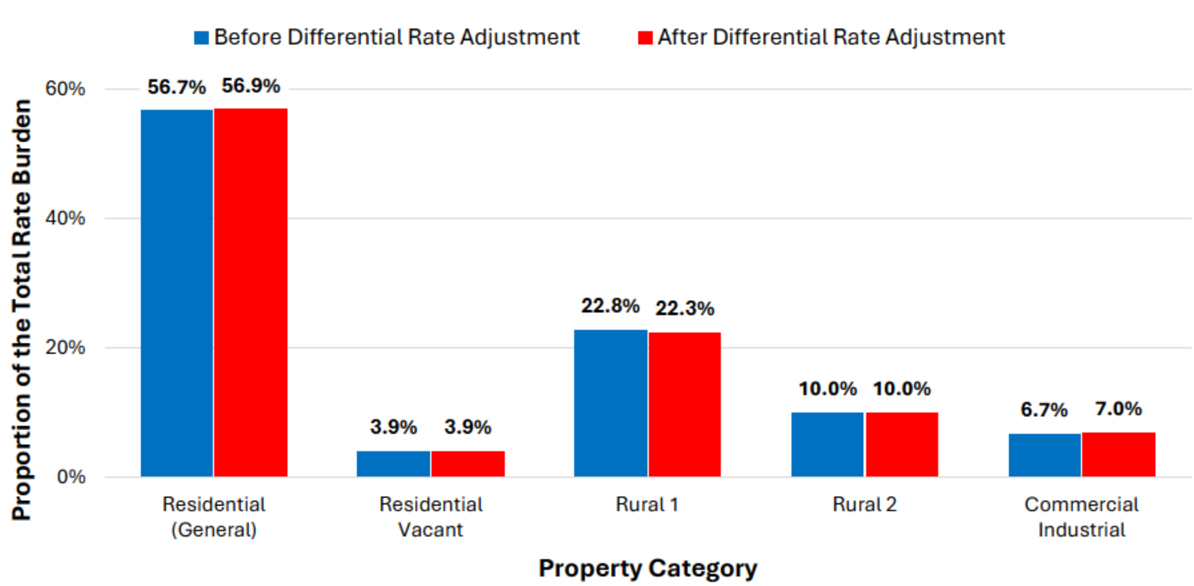
This is another uninformed statement.

The primary purpose of this proposal is to eliminate the excessively high *General Rate* increases which are a direct outcome of ISC's *Rating Strategy*.

That purpose is achieved by making minor short-term adjustments to the *Differential Rates*. That is the only way this can be achieved without altering property valuations, as the State Government has attempted to do without success.

Figure 2 illustrates the distribution of the rate burden before and after *Differential Rate* adjustment over a period of 8 years.

Figure 2. **Rate Burden Distribution Comparison - 2017/18 to 2024/25**



Response to the Reasons for Rejection

As is evident in Figure 2, there is no appreciable change to the distribution of the rate burden, in the long term.

Conclusion

The reasons for rejection are baseless, devoid of supporting evidence and indicative of the lack of consideration this proposal has been given.

Indigo Community Voice Inc.

[redacted]

4 June 2024

Indigo Shire Councillors
Chief Executive Officer
Director Planning and Corporate Services
Indigo Shire Council

By email to: [redacted]

Dear Councillors, Chief Executive Officer Ierino and Director Pinkerton

SUBMISSION - REVENUE AND RATING STRATEGY AND 2024/25 BUDGET

We, the members of the ***Indigo Community Rating Reference Group***, have determined that:

1. *General Rates* levied under Indigo Shire Council's (ISC) *2016 Rating Strategy*, have **consistently exceeded the *Victorian Government Rate Cap***. In some instances, by a considerable margin.

2. Those outcomes will be perpetuated under ISC's *2024 Draft Revenue and Rating Strategy*.

3. A much fairer rating methodology exists which:

   a. Applies the *Rate Cap* to Ratepayers' *General Rates* and not just ISC's *Rates Revenue*;

   b. Fairly and equitably distributes Council's *General Rate* increases;

   c. Provides financial certainty for Ratepayers; and

   d. Complies fully with the *Ministerial Guidelines for Differential Rating*, developed under s.161 of the *Local Government Act 1989 (the Act)*;

4. That rating methodology has previously been proposed to ISC, in 2023 and 2024, but has not been seriously considered; and

5. Not considering that methodology constitutes a failure by ISC to meet its primary obligations under *the Act* to: *"endeavor to achieve the best outcomes for the local community"* and *"ensure the equitable imposition of rates and charges."*

We propose that a fairer rating methodology be incorporated in Indigo Shire Council's *Revenue and Rating Strategy* by adding the following text on page 4, immediately before the heading General Differential:

> *"After the General Rate has been determined, the Differential Rates in the table above are adjusted so that the percentage increases in the average General Rates for all Property Categories are, as near as possible, the same."*

We further propose that this fairer rating methodology be adopted in the 2024/25 Budget by amending the *General Rates* in the *Draft 2024/25 Budget* as follows:

Property Category	*From*	*To **
Residential	0.002047	0.002034
Residential Vacant	0.004095	0.004032
Rural 1	0.001536	0.001546
Rural 2	0.001843	0.001852
Commercial/Industrial	0.002764	0.002759

* Adjustments may be necessary if the total *General Rates* or the total value of any property class are altered in the final 2024/25 Budget.

The detail underlying this submission, *A Fairer Local Government Rate Levying Method*, has been presented to:

- The *Department of Government Services* (the Local Government Minister's advisory body);
- The *Essential Services Commission*; and
- The *Economy and Infrastructure Committee Inquiry into Local Government funding and services*.

A Fairer Local Government Rate Levying Method and *How Dynamic Differential Rating Works* can be presented to Councillors and Council staff on ISC's online meeting platform.

Yours sincerely,

Indigo Community Rating Reference Group

(Group member details are omitted to protect their privacy)

Indigo Community Voice Inc.

[redacted]

[redacted]

[redacted]

23 June 2024

Dear Councillors

I am writing in regard to:

1. COUNCIL MEETING AGENDA - 25 JUNE 2024
   11.2 CONSIDERATION OF 2024/25 BUDGET SUBMISSIONS
   Requests relating to the 2024/25 budget.
   - Request for Council to adopt an alternate rates model that has been proposed by the Indigo Community Voice group.
2. The inequitable and unfair effect of the *2024/25 Budget* on *Residential Vacant* property owners.

Disingenuous Assertions about a *Fairer Rate Levying Method*

On behalf of the Indigo Community Rating Reference Group (ICRRG), I feel obligated to strongly and unequivocally express our collective condemnation of the views expressed by the *Director of Planning and Corporate Services* regarding our proposed strategy for a more equitable method of rate collection.

The Director's ***unfounded*** *assertions below* indicate a lack of comprehension of our proposal. Furthermore, our offer to provide a detailed briefing to councillors and staff was declined by the *Chief Executive Officer*, suggesting a shared perspective with the Director and an inclination to preempt your decision on this matter.

- *This model is aimed at reducing variability in rates from year to year. This is a goal that the State Government recently attempted though a simpler and more effective proposal of valuation averaging. This valuation averaging model was abandoned because it was found to be too complex, and did not allow for rates to be reduced for ratepayers in need (two problems that are shared by the proposal from Indigo Community Voice).*

  That is not true. Where is the Director's proof?

- *The model proposed by the Indigo Community Voice group has been assessed as part of Council's review of the Revenue and Rating Strategy. The following feedback has been previously given in regard to this model.*

  The proposal was submitted by the ICRRG, a group of concerned Indigo Shire ratepayers. Most of the members are not affiliated with *Indigo Community Voice Inc*.

  The details of the proposal were to be provide in a briefing to councillors and staff, but the Chief Executive Officer advised that *"no separate presentation to councillors will be necessary."* It follows that ICRRG's proposal has not been properly assessed.

- *The proposed model is not suitable for use because it contains flaws that would result in bad outcomes for ratepayers.* **That is a disingenuous and misleading statement.** Where is the Director's proof?

  The flaws in the model include:

  i. People with declining wealth being charged more while people with increasing wealth being charged less.

  That is not true. Where is the Director's proof?

  ii. Rate variability still being present.

  Yes, but unlike in Council's current *Rating Strategy*, it is confined within the bounds of the *Victorian Government Rate Cap*.

  iii. No – or limited – rate reduction in circumstances where someone's property loses value (a real issue for people experiencing declining relative wealth and cost of living pressures).

  That is not true. Where is the Director's proof?

  iv. Setting of relative levels at a point in time that would unfairly disadvantage some property owners in perpetuity.

  That is not true. Where is the Director's proof?

  v. High complexity.

  How would the Director know when he hasn't considered this proposal?

  vi. The proposed model may breach s.161 of the Local Government Act (1989).

  This proposal was submitted to the Local Government Minister on 24 March 2024 who, in turn, passed it to the *Department of Government Services*.

  [redacted] found nothing illegal in the proposal, but stated:

  > *"With respect to your proposal, I encourage you to continue to engage with the Indigo Shire Council as they are the decision makers for the levying or rates and charges in the Shire."*

- *This is not a model that should be adopted.*

  That recommendation is completely baseless.

- *Council will be presented with the proposed Revenue and rating Strategy in the coming months with any changes resulting from the community consultation.*
- *No change recommended to the 2024/25 budget.*

Inequitable and Unfair Treatment of *Residential Vacant* Property Owners

As was the case in the *2023/24 Budget*, the glaring flaw in Indigo Shire Council's *Rating Strategy* has again been exposed now that the actual property valuations have been incorporated in the *2024/25 Budget*.

Appendix 1 shows that the increases in *Average General Rates* are totally disproportionate to the increases in *Average Property Values*. This year, resulting in **inequitable and unfair** outcomes for *Residential Vacant* property owners by causing their *Average General Rates* to increase **more than 8 times the *Victorian Government Rate Cap*.**

As shown in *Appendix 1*, the ICRRC proposal for a *Fairer Rate Levying Method* eliminates those inequitable and unfair outcomes. As would have been the case for *Rural 1* property owners if this rate levying method had been adopted when it was first proposed in 2023.

Councillors, as indicated by the Local Government Minister's senior advisor, the decision to provide equitable and fair outcomes for Indigo Shire ratepayers, or not, rests entirely with you.

If you choose the former and adopt the ICRRC proposal in the *2024/25 Budget*, then all you need to do is to alter the 2024/25 cents/$CIV values in the table under paragraph 4.1.1(b) as follows:

Type or class of land	From	**To**
General	0.0019813	**0.0019992**
Residential Vacant	0.0039627	**0.0032555**
Rural 1	0.0014860	**0.0014788**
Rural 2	0.0017832	**0.0018087**
Commercial/Industrial	0.0026748	**0.0026780**

When it is time for you to consider the *Revenue and Rating Strategy*, you must make a similar decision regarding the adoption of a *Fairer Rate Levying Method*.

Yours sincerely,

[redacted]

(H. F. Ellerbock)
Member, Indigo Community Rating Reference Group

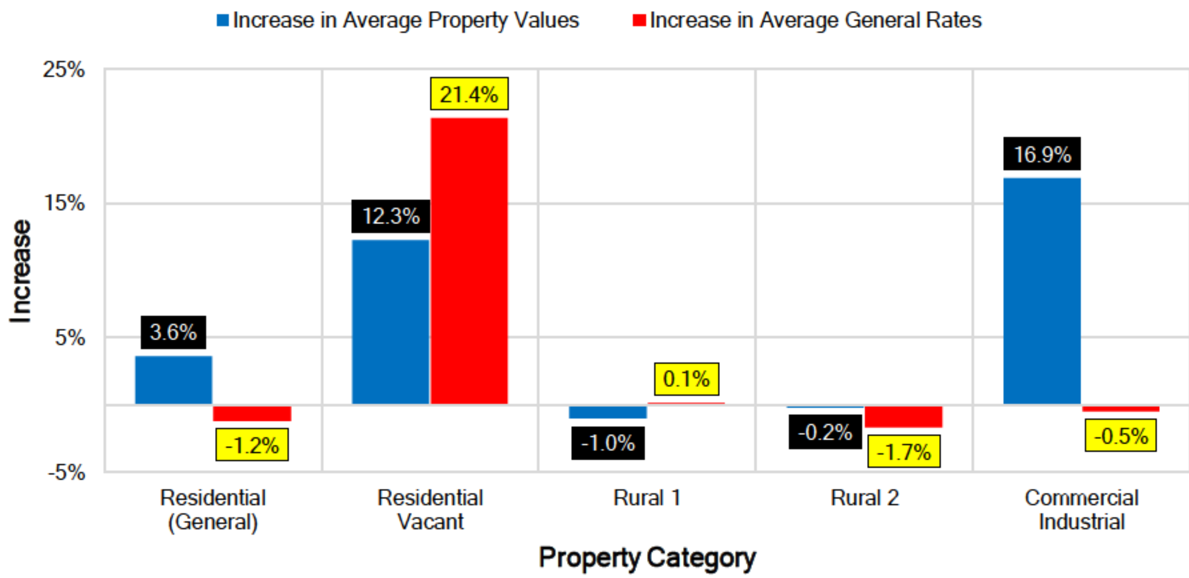
[redacted]

Appendix 1 – The Inequitable and Unfair Effect of Indigo Shire Council's *Rating Strategy*

Appendix 1 – The Inequitable and Unfair Effect of Indigo Shire Council's *Rating Strategy*	1

Figure 1 shows that due to Indigo Shire Council's *Rating Strategy*, the increase in *Average General Rates* is totally disproportionate to the increase in *Average Property Values*. Which has an inequitable and unfair effect for *Residential Vacant* property owners, causing their *Average General Rates* to increase more than 8 times the *Victorian Government Rate Cap*.

Figure 1. **General Rate Increases vs Property Value Increases**



The Indigo Community Rating Reference Group's (ICRRG) proposal for a Fairer Rate Levying Method eliminates this effect entirely simply by adjusting the *Differential Rates* as shown in Figure 2.

Figure 2. Differential Rates				
Initial	200%	75%	90%	135%
Adjusted	**162.8384223%**	**73.9701553%**	**90.4686120%**	**133.9540580%**
Difference	-37.1615777%	-1.0298447%	0.4686120%	-1.0459420%

The adjusted *Differential Rates* are rounded to 7 decimal places

The adjustment of the *Differential Rates* changes the *Differential Ratio* under the 400% Rule of the *Local Government Act 1989* from 276% to 220%.

The effect of the *Differential Rate* adjustment alters the *General Rates* (cents per dollar of Capital Improved Value) as shown in Figure 3.

Figure 3. General Rates (Cents/$CIV)					
Initial	0.0019813	0.0039627	0.0014860	0.0017832	0.0026748
Adjusted	**0.0019992**	**0.0032555**	**0.0014788**	**0.0018087**	**0.0026780**

Figures 4 shows the effect of adjusting the *Differential Rates* using the ICRRG's proposed *Fairer Rate Levying Method*.

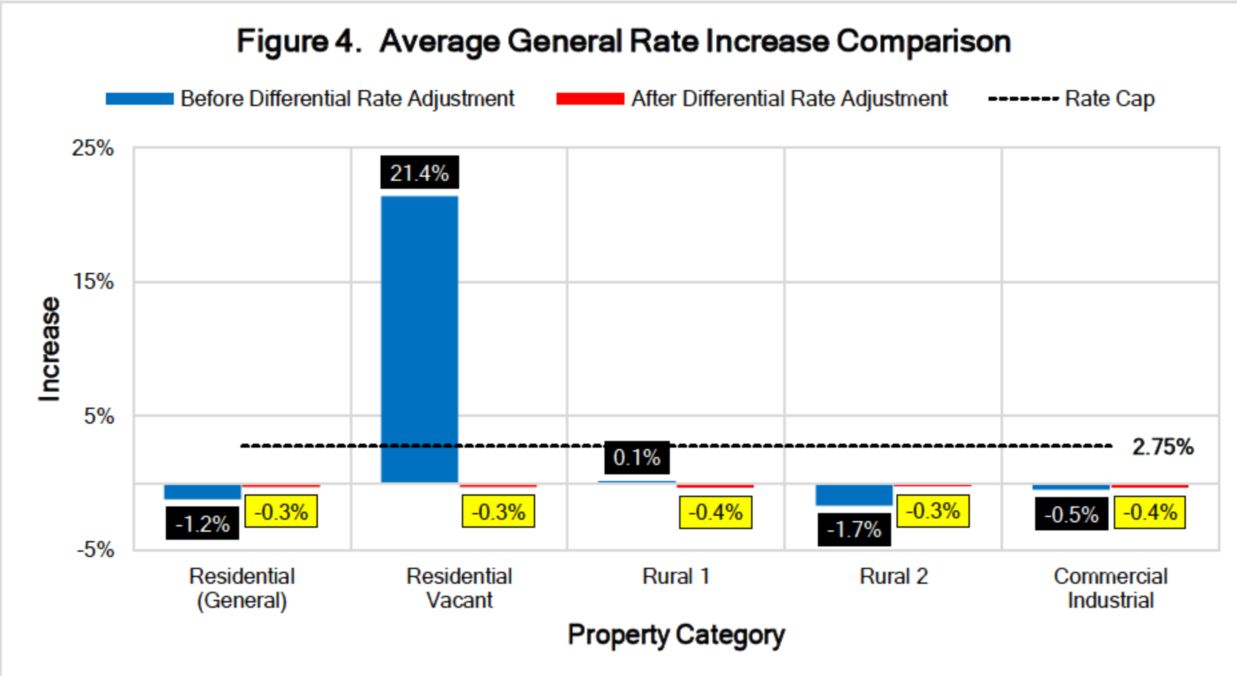


Figure 5 shows the effect of adjusting the *Differential Rates* on *Average General Rate* charges.