

Age 77

East Gippsland Shire Council

My Home.

## RATES

Municipal revenue [rates] should be levied by government using a consistent, uniform rate based on property market values. The revenue should be distributed to Councils based on a formula that takes into account population and need. Councils wanting to raise funds for special projects would need majority ratepayer support for a levy.

\* East Gippsland Shire Council is probably not viable. It is about 10% of the state area. The Council is approx. 75% state parks & forests and has a population density of 0.02/hectare. It has one of the lowest index of socio-economic disadvantage in the State. It needs large grants.

\* Rapidly growing urban areas/towns lack facilities and have an enormous demand for infrastructure and services which cannot be met.

\* Some well established councils are in very wealthy areas with good infrastructure and modest demand for services. Rates as a percentage of property values can be very low.

\* Inner city councils often benefit from government spending This includes better transport services, more amenities, better schools etc which contributes to increased property values.

\* There has been a trend towards high density living increasing service demand in some areas Revenue raising needs to be equitable and fair across the state. Equal \$ rates are not always equitable. Council services requiring rate funding should be similar.

Regressive taxes, such as the municipal charge, should not be part of council funding sources.

Differential rates can be set for different classes of property such as farms and industrial/commercial businesses but they should be set on an economic analysis [ cost/benefit] of the cost of supplying services. They should not be set as a subsidy or a loading.

This approach to revenue raising could result in the need for more generous subsidies which needs to be taken into account when setting the rates. Entitlement needs to be clearly set out and procedures for applying for rate relief established.

Councils should be able to set charges and fees but there should be a mechanism to ensure they are consistent across the state. [Variances should reflect factors such as cost.] The most obvious is garbage and recycling where the charge should not only be to recover costs but influence behaviour. There should not be charges for services normally paid for by rates.

I have not seen a study demonstrating property values are a good proxy for measuring ratepayers wealth. In some areas/suburbs I would expect a strong correlation [fit] between property values and indebtedness. Nevertheless, a property tax is a low cost and administratively simple method of raising revenue and I do not expect it to change.

Council's have considerable power to charge penalty interest rates and recover unpaid rates. This should be tempered by the knowledge that market property value does not always reflect capacity to pay People should not be rated out. The imposition of penalty interest rates and the capacity to acquire/sell properties should be reserved for where the ratepayer is assessed to have the capacity to pay. There is a need for a consistent and transparent way of dealing with ratepayers experiencing difficult circumstances. Councils can reject outside agencies assessment of financial hardship without any explanation and there is no independent appeal mechanism.

There are 3 million property valuations conducted annually which raises the spectre of a very bureaucratic and perhaps not very accurate process. Valuations that increase more than double the area average increase should be explained rather than rely on an adversarial objection process.

People tend to live in "economic villages" so there is little reason to have minor variations in rates paid by neighbours. The housing market has changed. Population growth has seen land become scarce and more expensive and therefore a higher proportion of market value. The tax treatment of investment properties [negative gearing and capital gains] has pushed up market values, perhaps

unfairly for owner occupiers. Higher density living has changed the property mix. Property values might not be the best method for raising revenue in the future.

Businesses are always valued on the basis of income earning capacity. Real estate values are usually only relevant in a liquidation. Commercial properties often have a differential rate so perhaps consideration should be given to taxing classes of businesses based on a cost-benefit analysis. Farm rates have become a political issue with farmer lobbyists demanding reductions or replacement by curtilage etc. However rural infrastructure [roads/bridges] particularly if is used by heavy vehicles is expensive to build and maintain. Farmers also use the services provided by rural councils. There needs to be a thorough analysis of the cost of servicing the farm sectors as the basis for setting a fair differential rate. There has been demands for drought rate relief. Rates are a property tax and a percentage reduction would benefit those that need it the least the most. It would be more appropriate to give rate relief as a subsidy based on need. Farm values per hectare generally describe the earning capacity of the land, ie it is the result of expert analysis. Increasing sales to foreign investors and lifestyle farmers should not affect the valuation of agricultural businesses.

Everybody who benefits from a municipal service or infrastructure should contribute to its cost. Exemptions should only be given when a significant contribution to the community can be demonstrated. The level of exemption should reflect the benefit. Government property should only be exempted if it has no cost to the council or a payment is received in another way. The need to apply for exemptions would help to establish the need and appropriate level of exemption and set a trigger for review. To make the system manageable the classes of people who could apply would have to be established.

Special Rates and charges can be highly contentious and can pit various classes of ratepayers against each other. There is often disagreement that those who are required to pay are the only ones to benefit. The Council executive often initiates special charge schemes which they strongly support and promote. [We lost a VCAT appeal against a special rate \$80,000 to \$8,000 being the estimated legal costs.] The application of the law is complex There is lots of case law and the meaning of special benefit was determined by the High Court. This section of the LGA 1989 needs to be reviewed by the Law Reform Commission.

Budgets. The annual council budget seem to be designed for council and government officials with very little regard for ratepayers who might want to understand and challenge them. They are voluminous rather than enlightening and appear to be council executive driven with little councillor input. Government accounting can be confusing, eg the EGS farming community thought there was a large surplus that could be used to reduce their rates when there wasn't. There seems to be resistance to ratepayers querying the budget. The Ombudsman seemed to confirm this. An example was the EGSC limiting speakers to 5 minutes at the statutory S223 meeting. It not only limited ordinary citizens but businessmen such as a former Woolworths Chairman and ANZ Bank director. There is a community feeling that councils are profligate and do not exercise financial restraint. Employment levels and salary structures are often a target Councillors, particularly in rural areas, often lack the finance and business skills to actively participate in and review the budget process. This leads to a belief that the executive is in charge and listens to nobody. EGSC has resisted providing a simplified summary of its budgets to ratepayers. Instead most councils seem to prefer to use computer software to generate graphs and charts which often lack the detail ratepayers want. Councils have become large and complex organisations by taking on responsibilities formerly met by government or by thinking up new services. There is a suspicion that councils are empire builders. There needs to be more transparency about the services council provides and who is paying for it. Some people would like to see a simpler council.

Government has said democratically elected councils who are responsible to their ratepayers should be setting rates and spending priorities when the power of councillors has been severely circumscribed. The executive now has the power to set council rating strategy and spending agendas . While a lot of factors have contributed to this the government has had a major role in prescribing and limiting councillors roles. [Often disguised as improving councillor behaviour or increasing efficiency.] The State Government needs to review its own role in local government and how responsibilities and costs are shared.

The rating review discussion paper was appreciated.

