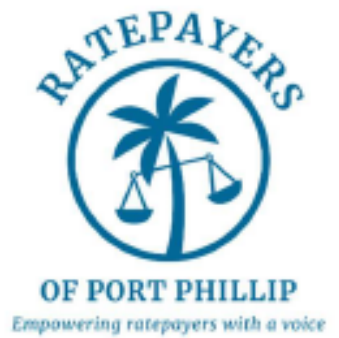


31 October 2019

By email to rating.review@delwp.vic.gov.au

RE: Local Government Rating System Review



I am the President of the Ratepayers of Port Phillip Inc. We are a community group representing ratepayers, residents and business owners in the City of Port Phillip.

Feedback from our members is clear that the current system of local government rating has passed its used by date, and is in urgent need of updating. This review is therefore timely, and I thank you for the opportunity to make a submission into Victoria's Local Government Rating System Review.

The present rating system is purely progressive in that rates scale directly with the CIV/NAV of properties. This was probably fine until 20 years ago. However, since then, the huge increases in property CIV have resulted in the current rating system no longer being fit for purpose. For reference, total rates collected in the City of Port Phillip increased by an average of 6.2% per year from 2004-05 to 2015-16 (before the rate cap) versus inflation over those years at less than half that average. The present system creates winners and losers based solely on property values. Property price increases are unrealised unless the property is sold. And all too often the link between property values (and rates) and ability to pay is just not there. So, we have the situation now where families in our municipality are commonly paying \$5,000-\$15,000 in rates based on unrealised property price increases, without regard for how much local government services are used by the residents of that property. Too often our members are on the receiving end of compound interest rate rises of 8% p.a. or more. Not to mention retirees who have lived in their property for decades and are now on limited incomes being subject to the same rates impost.

This is clearly an unsustainable situation, especially in a time of very low wages growth. Unfortunately, the City of Port Phillip has stated that reverse mortgaging one's property is the solution to this problem. We strongly disagree.

Finding an alternative rating system that fixes the unfairness of the present system and addresses unsustainable rates levels, whilst being easy to understand, is not an easy task.

We believe that having a significant fixed component to rates, with the remainder staying as a variable component based on CIV/NAV, would be a fairer method of rating. For example, in the City of Port Phillip, say average rates per rates notice is \$1600. There could be a fixed component included in every rates notice, say, \$1000, with the remainder being variable based on CIV/NAV as is done now.

This will address some of the concerns with the present rating system: the fixed component reflects the fact that all properties consume a base level of services, no matter the property's value. It will also reduce some of the huge peaks in rates which occurs in the present system. This variable component of this proposed rating system keeps some of the progressive nature of the current system. It is not perfect, for example property CIV doesn't necessarily reflect the income of the owner, so having a variable component based on property values could be seen to be unfair. However, we think this proposed system strikes the balances between fairness and the system remaining easy to manage for state and local government, and easy to understand for those paying rates. Having a fixed component does mean that the minimum

level of rates charged would increase. This could potentially create hardship for those on low incomes. However, this should be addressed through the current system of discounts for those with health care cards etc.

If I can provide any further details on our proposed rating system, please do not hesitate to contact me on [REDACTED] or by email to [REDACTED]

Sincerely,

[REDACTED]
President
Ratepayers of Port Phillip Inc.

[REDACTED]