Local Government Rates Review Submission
Swan Hill Town Hall
3 September 2019

I'm sure that everyone here today has an example of the inequity of the current local government rating system and catchy headlines such as: **'City folk a council cash cow, while rural areas are missing out'** (Weekly Times 14 August 2019), are common.

There is no argument that there is a big divide between budgets of Melbourne Councils with large populations and access to other funding streams such as car parking charges, compared to sparsely populated rural Councils with vast road networks are struggling to remain sustainable. Metro Councils seem to have funds to spend on what some may call frivolous items eg City of Melbourne recently spent $446,000 to reduce noise generated by a footbridge (Weekly Times 14 August 2019) or the $4.8 million art collection owned by Bayside Council (Leader Community News 20 August 2019), spending that cash strapped rural Councils can only dream of!

Residential Property

Unlike an individual's contribution to state and federal government services (eg police, hospitals etc) which is based on capacity to pay, ie income tax, what an individual contributes to local government services is based on where you live and the valuation of the property you own. For example, a home in Swan Hill valued at $400,000 pays $2,868 in rates (including garbage collection) which is an extra $1,269 compared to a home in Fitzroy in the City of Yarra valued at $800,000 and paying $1598. So, in a nutshell, a Fitzroy property worth double that of the Swan Hill property, pays 55% or just over half of the amount of Swan Hill. Or, to put it another way, a Fitzroy home worth $1.435m would pay the same rates as the Swan Hill home! Also, the services delivered by City of Yarra with it's budget of $189m for 19/20 are much more accessible compared to those provided by Swan Hill with a budget of $50.75m for 19/20!

Although most of the services offered by Councils are community based (eg recreation facilities, community care, cultural services), they are funded by a property tax. Perhaps this was relevant 100 years ago when most Council services were property based (eg waste collection) and people only used local roads so it made sense to generate rates via a property tax. However, if we fast forward to 2019, Councils provide a much larger range of services, and people regularly travel away from home using roads and tourist facilities across the state, so should Council services still be funded locally?

From the Swan Hill Rural City Council's leaflet 'What do my rates pay for', it can be calculated that $39 from every $100 spent goes directly towards community based services. $21 is spent on roads, $14 on economic development, $13 on administration, $7 on environmental & waste management, & $7 on other services. Apportioning half of the administration costs and costs of services such as roads used by both community and business, it can be calculated that 63% of costs are allocated towards community services. So should property rates still be funding these when clearly, most of the services provided are 'people/ based' not 'property based'?

Could Council rates be based on a fixed Community Charge where each residence is charged the same amount across the state and then topped up with a portion based on property valuations. If the state government collected these funds then they could be allocated on a NEEDS basis to Councils, rather than the current system where each Council has to collect it's own rates. A needs based system may also help to reduce wasteful spending by Councils currently flush with cash. Would such a system help to remove some of the current inequities that exist between metropolitan, regional and rural Councils across the state?

Business Property
As with residential property, there are many examples of current inequity regarding rates charged under the current property valuation system. Consider the following examples:
1. A legal firm operating from a small office complex providing an 'intellect service' pays minimum rates due to small property valuation yet generates large profits.
2. A medium sized business eg machinery dealership, freight depot or trades person eg electrician pay rates on a small sized property so taxed on property valuation but not on machinery, plant, vehicles or any other tools used by the business
3. A farm ,which by nature of the business needs land to grow food and fibre, pays very high rates. Compounding this problem, farming land that is near urban or tourism development is valued very highly and although this does not mean that the capacity of production of that land is increasing, the property is still expected to pay increases in rates year after year due to ever increasing valuations.
4. A home business eg hairdresser or those operating on a digital platform, do not contribute anything towards provision of Council services

These examples show that because rates are charged on property only and no other type of asset class, there is a big discrepancy between farming businesses who need land to operate and those who only need a small amount of land or no land at all. Compounding this problem is that not many Council services are actually business/farming related so farmers do not receive much 'bang for their buck'!

Farm land
The vast percentage of farms in the state are family owned. If you combine the 'double whammy' of farms being situated in rural areas that charge higher rates combined with the requirement to pay rates on land that the business needs to operate, then most farming families in Swan Hill pay somewhere between $10,000 & $20,000 however it is not uncommon to hear of some farmers in other areas paying upwards of $50,000. Considering that very few Council services are farming related, then these families are contributing far greater amounts towards community services than their urban counterparts even though due to their location, they are not able to access Council services as readily as town residents.

In all these examples of residential, business and farming land, there is no consideration given to capacity to pay ie income generated within each household or business; or ownership of any other asset classes such as shares, motor vehicles or any other valuable items.

The Inquiry into Sustainability & Operational Challenges of Victoria's Rural & Regional Councils tabled in Parliament in March 2018, found that the current rating system does not always reflect the capacity of an individual to pay and that some farmers are required to pay disproportionately large rate bills.

In summary, I would like to ask the following questions
1. Do you think the current rating system is fair and equitable for home owners across the state?
2. Do you think the current rating system is fair and equitable for business, in particular, farming businesses?

If you answered no to either question, then is it time to design & implement a fairer system for ALL Victorians that reflects an individual's capacity to pay, rather than the current system that <u>clearly</u> favours metropolitan property owners.

Thank you for your time.

[redacted]