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A share of GST, rate capping, legislated differential rating, less responsibilities and adoption of aspects of English rating system.

Study English systems

Relief from State responsibilities

Councils are burdened with functions which should be the financial responsibility of State and/or Federal government. Education, health, fire and police are not council funded. In similar manner local government should not have to pay or contribute for services such as libraries, meals on wheels, home care, maternal and child health and eradication of roadside noxious vegetation. The list goes on and continually increases.

Having said this, I do not agree with those who state that: "Councils should stick to their real job of just roads". This sometimes is accompanied by the thought that all other activities are of lesser importance.

Small and rural municipalities: high costs and low rate base

Rural municipalities face challenges of large geographic areas with high infrastructure costs such as roads and bridges. The lack of industry coupled with a small and declining population of relatively lower income contribute to a lower rate base. A larger percentage of elderly cause higher human/social costs.

Not only do large urban councils have a higher rate base, they have available areas of income raising unavailable to rural municipalities. Certain metropolitan councils have greater parking fine revenue than the total rate revenue of many rural councils.

In England as mentioned later, this inequality is partly addressed by a portion of rates centrally pooled, then distributed across all municipalities according to need. In western democracies such as Australia, those who have the means assist those who are deficient. There is nothing revolutionary in this.

Whelan report

With all this in mind and with reference to the Whelan report (Local Government Financial Sustainability, May 2010), it is apparent that small rural municipalities are not and never will be financially viable. I urge those undertaking this review to study it.

Farmers suffer rate inequalities; not service inequalities

The method of rating farmland is grossly unfair and one of inequality.

The basis of this goes back to a time when areas of farmland, their extent and capital value equated wealth and income.

Farmers in current times tend to be asset rich and income poor. Vast areas of land or high capital value of farmland does not necessarily equate to large income and/or the ability to pay high municipal rates. The increasing vagaries of farming seasons further exasperate the problem.

Occasionally the opinion is expressed that rates originating from the farming sector contribute overwhelmingly and out of proportion to town activities from which they, farmers and their families receive little or no benefit. I disagree.

Town amenities such as streets, foot paths, recreation facilities, human services and finally cemeteries are used more or less to the same extent by farm families as town families.

If rural roads are at times less than desired, then facilities in 'town' will usually be less than desired as well.

From my experience, whilst the imposition and spread of rates is not equitable, the distribution of service is.

English rating system

England (Wales and Scotland have somewhat similar methods) has a two-tier rating system.

One tier is a 'domestic' rate levied on residential properties or the residential part of a property. With farms, only the farm residence is rated.

The second rate is a 'business' rate, levied on various businesses but again not on farmland. Agricultural land and buildings are exempt from all local rates. ...4

Until several years ago, the 'Business' rate whilst collected by councils, was passed onto a central authority and re distributed according to various formulae. In 2012, this was changed to half being kept by the local collecting council and half to the central authority for redistribution. Farmland and buildings are still exempt. This means high population and wealthy urban areas subsidise lower populated, disadvantaged and low rate raising municipalities.

State to legislate levels of differential rating

Differential rating offers councils the opportunity to encourage and financially assist community groups, commerce and the farming sector and to somewhat lighten the inequalities of municipal rating, particularly in regard to farmland.

Community non-profit organisations exist for the benefit of that community as does a council. Much of the social strength and wellbeing of most communities, particularly those in country areas depend on these groups.

Previously I have stressed that current rating places an unreasonable impost on farming enterprises. To not have the benefit of differential rating the burden on many farmers would be unsustainable and would drive many under the poverty line; more than there are now.

Northern Grampians had a long standing 33% (approx.) discount for farmland. Recent increases in farmland prices resulted in rate increases of up to 25%. Urban rates had a small decrease. A strong public protest caused council to change the farm discount from 33% to 50%. This was carried on the casting vote of the Mayor. Several members of this council have repeatedly stated their opposition to any and all differential rate discounts for farmers, which illustrates the precariousness of the situation.

Some municipalities which include areas of 'broad acre' farming within their boundaries do not have a reduced farm rate or have an extremely low one. This situation appears to be brought about by the dire financial situations of those councils or the attitude of some their councillors.

To guarantee fair and reasonable treatment for all, the State needs to legislate various differential rate levels. There appears no other way. ...5

Rate capping

The basic concept of rate capping has brought much needed discipline to municipal councillors and executive staff who on occasion appear to be unable or unwilling to keep expenditure to a level commensurate with that which their residents are capable of paying in rates.

A problem exists in that capping only applies to the overall or average rate increase. It should apply to all sections and categories of rate payers, quite apart from the effect of any differential rating applied.

As previously mentioned, in several western Victorian municipalities, whilst the overall rate increase adhered to the legislated cap, farmland was subject in many instances to 25% increases while urban residents received a small decrease.

A share of GST to supplement rates

Rate capping and differential rating assist in a fairer spread of rates and being relieved of various state and federal responsibilities will undoubtedly assist however these alone will not be adequate. As well, whilst aspects of the English rating system would be fair and of assistance, their application and acceptance may be challenging and lengthy.

However, regardless of what is implemented, an inadequacy of income will remain for small and rural councils (refer Whelan). Hence a share of federal GST according to various formulae to supplement other sources of income appears the most practical and least politically offensive solution.

The administrative structure for the collection of GST already exists. It is not a new tax and is no longer considered at present levels a particular impost on anyone or any group in particular.

Whilst using GST to supplement council income is highly appropriate, for it to totally replace rate income would reduce the amount of GST revenue available for other purposes. It could also lead to an increase in the rate of GST charged. Neither is desirable.

The residents of a municipality have an obligation to make some financial contribution by way of local rates for the wellbeing of their municipality and the services they receive. This does not negate the need for an amount derived from GST being allocated to supplement other sources of income such as rates.

State control preferable to larger regional councils

I am aware that propositions to bring about further amalgamations of councils have been mooted as a possible solution to their financial challenges. With respect to those now considering such a change, I believe it would mean 'regional' government and the obliteration of local government as we know it.

If this was to be the only alternative, then I regretfully and reluctantly suggest the abandonment of our third tier of government (local) and have State Government assume the responsibilities currently exercised by local councils.

This would be preferable to 'regional' government centred on and dominated by the likes of Bendigo, Ballarat, Maryborough or Horsham. These centres, their councillors and residents do not have a good history of kindness and understanding towards their less affluent and less numerical rural relations, contrary to their occasional declarations.

I realise many levels of management and services would be regionally based however, the domination of parochial councillors in these major urban areas would not exist.

CONCLUSION

A share of GST, rate capping, legislated differential rating, less responsibilities and adoption of aspects of the English rating system.

Study systems in England.

A share of federal GST revenue given according to various formulae, a cap on increases for all categories of rates within a municipality, legislated differential rating and the state to assume certain responsibilities appear to be a practical and politically acceptable way ahead for councils.

None of these alone is the solution however all would assist.

A study of the English dual rating system with the aim of adopting aspects, in particular the exclusion of farmland and buildings from rates (but not farm residences) is imperative.

Having stated all the above and despite a lifetime associated with local government, I occasionally wonder if it has passed its use by date. History and development may have moved too fast for things and those associated with local government and in a manner similar to the parish poor laws in England during the industrial revolution.