The Secretary  
Essential Services Commission /  
Environment and Planning Committee  
Local Government Rates Capping Review  
Parliament of Victoria  
Spring St  
EAST MELBOURNE VIC 3002

SUBMISSION to Victorian Legislative Council re Local Government Rates Capping Review established by Parliament

My thanks to the present Minister for Local Government, Hon. Natalie Hutchins and Victoria Premier Daniel Andrews for imposing a rates cap in 2015

First and foremost, I wish to give my “official” thanks and congratulations to the present Minister for Local Government, Hon. Natalie Hutchins, and current Premier Daniel Andrews and the rest of their ALP team in state parliament, for imposing an annual property rates cap increase. That rate cap, as I understand it pegged at 2.5% per year and scheduled to come into effect for fiscal 2016 - 17, is most welcome to me personally, other property owners in our local shire and no doubt to thousands of property owners in other shires and regions right across Victoria. Minister Hutchins’ and Premier Andrews’ concern for our plight is, I am sad to say, in somewhat stark contrast to the attitude of our local councillors on this issue, not to mention the Municipal Association of Victoria (MAV) and similar organisations.

My personal situation

I reside in Hepburn Shire in the central highlands of Victoria, where at the local government level we are represented by the Hepburn Shire Council (HSC) with a total of seven councillors. I own two properties with homes, one purchased in 1992 and the other 10 years later in 2002. I was lucky to “get into” the property market at that time, because in all likelihood I could never afford to do that now, when inflated homes and property prices (to the point of absurdity) have become the standard in this region of Victoria. I am in my late 60s, and consider myself very fortunate because for the young people living in this region - particularly those in their late 20s, 30s and 40s who wish to settle down with their families - owning a house or property in the Daylesford area now has become almost an unaffordable luxury. There are a variety of reasons for this but the bottom line is that the younger generation is getting screwed, and royally, in that regard. As house prices skyrocket, so do council property rates.
The average property / home owner in this area has endured and coped with ever-rising annual property rates levied by HSC for many years now. The rates really began to skyrocket in the early 2000s, when increases of 20%, 30%, even 40% in a single year became common. Then from about 2010 onwards, the local council in its annual rates notices began to boast that it was “only increasing rates by 4% per year”. Given the compounding interest from the rates increases of the early 2000s, that was a fairly hollow statement, in fact one which likely was politically driven on the part of the local councillors in order to counter public dissatisfaction and anger at continuing property rate increases. At the same time, as many Hepburn Shire residents would attest, council services began to level off; they certainly did not increase in proportion to the exorbitant increases in annual property rates.

The poor reputation of Hepburn Shire Council in years past

The sad fact of the matter is that HSC has not had a good reputation re financial management and the general running of local government business in the early 2000s and possibly earlier. I do acknowledge that that situation has certainly improved when the present Chief Executive Officer arrived here about five or six years ago, and I do congratulate him on that account. In September 2011, the Victorian Auditor-General released a report, Business Planning for Major Capital Works and Recurrent Services in Local Government, which was basically a comparison of four councils in Victoria including HSC, on a variety of business planning and financial resource allocation issues. Unfortunately for the already rather tarnished image of HSC among we locals, the official report only confirmed what we had already concluded, namely that the inefficiency of HSC was at exceedingly high levels, especially in comparison to other local councils. Given the yearly exorbitant increases in property rates in the early 2000s, this conclusion was not a good look for HSC or the serving councillors. However as noted, the situation has indeed improved in recent years, thanks mainly to the new CEO.

The exhorbitant increases in property rates during the past decade

As a generalization, it appears that during the last decade council rates have risen by approximately 100%. The Herald Sun (18 March 2014) reported that “Councils have stung Victorians with rate rises totaling more than $2 billion above the rate of inflation over 10 years”. Generally speaking, the rise in local property rates has been:

- Three times more than the Consumer Price Index (CPI) and Analytical Living Cost Index, which refers to employee households;
- Two and a half times the increase in wage earnings;
- Approximately double the increase in age pension for a couple;
- The fourth highest increase of the 40 household expenditures measured by the Australian Bureau of Statistics;
- Double the actual increase in cost incurred by councils as indicated by the MAV’s Local Government Cost Index.

The Australian Bureau of Statistics measures the price increases of 40 consumer items or household commodities. Over the last 10 years rates have risen more than
the cost of hospital and medical services, health services, education, food, alcohol, petrol, gas, restaurant meals, take away food, domestic and international holidays, clothing and footwear, household appliances, and cars. The only items which have increased in price more than council property rates are electricity, water and sewerage, and tobacco. Comparing property rates rises to increases in other commodities and services, we can truly see just how excessive rate increases have become, in this council and in other regions of Victoria.

**Which goals and objectives do our local council have in increasing rates?**

HSC and other councils in Victoria have shown little compassion at a time when many in the community have been affected by the global recession. For retirees, low interest rates have impacted on savings and superannuation benefits. Working families are facing rising house prices (which have reached absurd levels in Hepburn Shire) and mortgages. Each year councils have been steadily and incrementally increasing rates by an amount which they can get away with – 4% is the average in this shire during the past 6 or 7 years - rather than minimizing increases, trying to establish cost control and providing value for money. In my opinion these problems have been encouraged by large and powerful organizations such as the MAV. Now the questions must be asked: has the entire culture of local government become self indulgent during the past decade? Have council staff and employees become self-serving their own aspirations, and have those aspirations become disconnected or removed from the needs of property owners and ratepayers in the communities that they are supposed to be serving? I certainly know what most property owners and ratepayers in Hepburn Shire would answer to those questions, with little doubt.

Because of these circumstances, we can understand just how welcome to long-suffering ratepayers is the rates-capping legislation passed by the Andrews government in the Victorian parliament last year, and scheduled to come into effect for the 2016 – 17 period.

**My recent correspondence with an HSC councillor re the 2.5% rate cap**

Last month, February 2016, I sent messages to all seven of our local councillors re the 2.5% annual rate increase cap, with which I very much agree as previously stated in this submission. I reprint part of an e-mail message I received from one councillor, to whose credit took the time to send me the reply:

“Agreed, we want the lowest rate increase possible, consistent with responsible service delivery and maintenance of assets. This is complicated given the range of things that Council does, and the importance of consulting with the community if we have to cut services. At a guess the reduction in rate increase from 4% in our 10 year financial plan, to 2.5% rate cap, would translate into an amount not collected of $150,000 to $200,000 roughly….. We can look at efficiencies in relation to all costs and have been doing that over the last 3 years. Ironically this places us in a worse position than some other councils that have pockets of inefficiency that they can 'mine'. In addition the State Government has cut $1 million from roads and bridges funding. The easiest way, politically, that councils can find savings is to fail to maintain
infrastructure - it takes quite a few years for roofs to fall in, and paintwork to crumble, so no one notices. Soooo..... you can stop doing some things, you can delay introduction of things, you can queue for services, you can prioritise by need or some other criteria you can work out how to do things with new technology...."

While I do appreciate that councillor’s perspective – although I am strongly in favour of the rate cap increase as introduced by the state government – just a few weeks after I received this message there was a story that appeared on the front page of our local newspaper, The Hepburn Shire Advocate, titled Cup and Ball Anger:

“A CONTROVERSIAL large-scale artistic sculpture will be erected in Creswick’s Calambeen Park by August. The $30,000 sculptural art Dearest by Inverleigh sculptor Mark Cuthbertson, depicts a traditional wooden cup-and-ball toy – a children’s game that first originated in 16th century France. The piece was selected out of a shortlist of three by the Hepburn Public Art Panel, now in its second year of existence.... Cuthbertson said he was inspired to create Dearest after looking into the history of the Creswick mining disaster. However, Hepburn Shire councillors have fiercely debated the work, with Bill McClanaghan claiming the sculpture was not relevant to Creswick or the park. ‘I’m not really happy that Creswick might be known as the “Big Cup and Ball”, he said. ‘I don’t think the residents of Creswick are going to warm up to it. I think the residents of Creswick need to have a say. It’s their town, it’s their lake, it’s their artwork so to speak, and it’s their rates that are paying for it.’ Creswick ward councillor Don Henderson said the panel ‘needed to take another look.’ He said that while the panel was no doubt talented, they weren’t from Creswick.”

And in a nutshell, this recent article from our local paper rather clearly illustrates why many of we property owners and ratepayers here are sceptical, and some extremely so, about how the council allocates our property rates, and to what end they are directed. In my view we ratepayers are shelling out $30K – via the local council – for a sculpture that not many want, and most think is unsuitable in regard to the history of Creswick. The most recent development in the “sculpture saga” of Calambeen Park in Creswick is that a different local sculptor has created an alternative piece which he and Cr. Don Henderson reckons will be far more suitable for display in the park. This is a controversy that our shire definitely did not need, but now will have to be resolved, with some hard lessons for all concerned.

Questions to be asked in regard to the “philosophy” of paying property rates

- In Hepburn Shire, as in other councils and regions of Victoria, the level of rates that I pay is directly related to the Capital Improved Value (CIV) of my properties, which is calculated and re-evaluated by council at two-year intervals. But why should we locals pay (ever increasing) rates according to the CIV of the property? Wouldn’t ever-increasing CIV valuations actually be "artificially inflated values" conditioned by factors such as overseas investors, negative gearing and banks lending "credit" without the backing of gold?
- As all home and property owners do, I paid a Stamp Duty to the Victorian state government when I purchased my properties, which did not amount to just a few
hundred dollars. But having paid that Stamp Duty, what continuing relationship is there between the CIV of my properties, as calculated by the local council, with either the principal home in which I live or the other property I own, and most importantly, is such a relationship actually a fair and just one?

- Besides paying annual property rates to the local council, the state government of Victoria is also charging me an annual land tax as well. Local council property rates can be regarded as a sort of tax levied by councils against land and property owners, while state land taxes are definitely a tax, clearly defined as such. Why should I as a property owner be “double dipped” by both the local council, as well as the state of Victoria, when it comes to paying tax on the properties that I own?

- If I was looking to buy into the house or property market now, there is little chance I would be able to buy the properties I now possess. As stated at the bottom of page 1 of this submission, those who are really suffering because of outrageously high prices are the younger generation, especially those in their 20s, 30s, and 40s. Is the older generation of Australians such as myself – combined with the political leaders in the state of Victoria who make the rules on taxes - happy to continue to see the younger generation suffer through lack of home ownership? It is getting to the point that to own a home now, and complete payment of a home-loan mortgage to the bank, one almost has to be classified as wealthy. If so, just how can we older persons expect the younger generation to regard us and to treat us, in light of the fact that most of them will never enjoy the benefits of home ownership, or hope to pay off a home loan mortgage during their working lives?

**The recent decision of HSC not to request an exemption from the rate cap**

Fortunately, the recent news from the local council ordinary (open) meeting, held just last week, is that HSC will not apply to the state government for an exemption from the rate cap increase that is coming into effect for the next fiscal year. The reasons given for the decision, however, were not exactly to my liking; councillors grudgingly accepted the rate cap ruling. The official explanation given was that it would take too long to prepare a submission to the state government requesting an exemption. While that may be true, at least in part, I reckon that the prospect of being voted out of office in the local council elections scheduled for October this year were possibly an equally motivating cause for councillors to arrive at their decision. In any event, the decision made by council was the correct one, and I am more than happy to congratulate them on that account.

Once again, thank you very much, Minister Hutchins and Premier Andrews, for addressing some of the concerns of we long-suffering ratepayers.

Zachary Casper

Daylesford / Glenlyon