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Select Committee On Costs of Living
House of Assembly
Parliament House
Hobart
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My submission to the Select Committee on Costs of Living is predominantly focused on taxation which is levied at the Local Government level under the Local Government Act 1993 (as amended).

During 2011, the State Government adopted recommendations from the Valuation and Local Government Rating Review Steering Committee and amended the Local Government Act 1993.

From the two amendment bills, introduced to Parliament last year, the following sections of legislation are those which have a particular impact or have the potential to have an impact on the cost of living for my family.

- **Section 86A** General principles in relation to making or varying rates

  Under this section the legislation clearly defines that;
  (1)(a) rates constitute taxation for the purposes of local government, rather than a fee for service; and
  (1)(b) the value of land is an indicator of the capacity of ratepayers to pay rates.

- **Section 91 Composition of General Rate**
  (2) If a council makes a general rate which consists of the 2 components, the fixed charge –

  (b) must be calculated so that the total revenue raised from it does not exceed an amount equal to 50% of the council's general rates for the year to which the fixed charge relates.

Background Information

Our Situation

Due to diligent saving in our working lives and considerable manual effort we are in a situation where we are asset rich (our home), but are finding extreme difficulty in keeping up with current day to day living expenses of council rates and the ever increasing utilities costs.

My wife and I purchased an allotment at 24 Begonia Street, Lindisfarne (Clarence Municipality) in August 1982 and together with my father I constructed our home over weekends and holidays, when funds/loans were available. We moved into our home in 1987 and continued building, fitout and landscaping over the ensuing 15 years.

Since late November 1985, we have been a one income family and in July 2003 our sole income stopped when I was made redundant from my clerical position, after 34.5 years of employment. I was unsuccessful in attempts at re-employment and between October 2003 and November 2008 our sole family income was the Newstart welfare and the Commonwealth Family assistance payments.

In November 2008, I commenced a superannuation pension and because we are classed as a Low Income Family we hold a Commonwealth Low Income Health Care Card which entitles us to Government concessions on council rates, water and sewerage costs, electricity costs and reduced pharmaceutical costs.

Impact of Property Revaluations and Council Rating Model

The first major revaluation of our home impacted our bill for local government rates for the 2007/2008 financial year when our AAV increased by 137% due to the implementation of the 4% rule (*Valuation of Land Act 2001 Section 11(3)(e)*). The AAV increased from $7,852 to $18,600 and our rates jumped by 27.45% to $2,269.55, when the average increase for the Clarence City was only 2.9%. In the following years our rates escalated by 5.8% and 7.2% which was 1.9% and 3.1% above the average for the Clarence municipality in the same periods.

It is important to note that within the Clarence municipality our home is 1 of only 25% of Clarence residences subject to the 4% rule[1], and we are being charged well in excess of the average residential rates for the municipality, especially so when we have low capacity to pay.

[1]Access Economics Report *(prepared for the Valuation and Local Government Rating Review Steering Committee)* - Chart 3.1: Proportion of properties on 4% minimum rule, total and residential

The table, below summarises the impacts. *(from 2009/10 water and sewerage charges are subject to separate billing. Gross water & sewerage charges were: 2009/10 $747.05, 2010/11 $821.75, 2011/12 $810.92)*

Year	AAV	Capital Value	Land Value	Rates Levied (1)	Actual Rates Increase $	Actual Rates Increase %	Clarence municipality average increase %
2006/7	7,852	175,000	50,000	1,780.75			
2007/8	18,600	465,000	175,000	2,269.55	488.80	27.45%	2.9%
2008/9	18,600	465,000	175,000	2,401.10	131.55	5.8%	3.9%
2009/10	18,600	465,000	175,000	1,777.75*	119.82*	7.2%*	4.1%
2010/11	18,600	465,000	175,000	1,836.25	58.50	3.29%	Not known
2011/12	18,600	465,000	175,000	1,872.80	36.55	2.0%	Not Known

(1) Rates Levied prior to Low Income Government Concession 2008/9 & 2009/10
*2009/10 Water and sewerage rates were levied by new Water Corporation. The actual increases were calculated by removing the water and sewerage charges from the 2008/9

As can be seen, the actual increases to our annual rates bill are not relative to the Clarence municipality's annual increase in funding requirements. In fact, some ratepayers must have received a reduced rate bill in the years shown, especially the 2007/2008 year.

Local Government Act 1993 and Clarence City Council Rating

During the term of the Valuation and Local Government Rating Review Steering Committee, I made a submission on these matters and also had discussions with officers of the Local Government Division (LGD) of the Dept of Premier and Cabinet. During the discussions with the LGD I was told quite clearly that land value is only one factor and that Councils must consider all feasible options when considering "capacity to pay".

When considering capacity to pay, the Clarence City Council rigidly adheres to the wording of the legislation to its rating policy, viz;

Section 81A (1)(b) the value of land is an indicator of the capacity of ratepayers to pay rates.

A good example of the above, is when the Clarence City Council considered the amendment, to Section 91 of the Local Government Act, which allows councils to levy 50% of the General Rate as a fixed charge

This amendment would go some way to achieve some equity in the rating process if adopted by Local Government, however in the case of the Clarence City Council, they decided at their Rating Issues Workshops, held on the 16th of May 2011 that the Clarence City Council would not adopt a Fixed component into their calculation of the General Rate for the 2011/12 year.

The decision of council was made on an information paper provided by the Corporate Treasurer, Frank Barta (*also the Local Government Association representative on the Valuation and Local Government Rating Review Steering Committee*), who stated that sampling conducted on residential properties highlighting the higher and lower ends of the rates base indicate that properties in Clarendon Vale and Risdon Vale would experience rate increases of 24% to 32% while high valued properties in areas such as Bellerive Bluff, Otago and Tranmere would experience rate reductions of 17% to 30%. In effect, given no other change, implementation of the fixed charge would inevitably result in a substantial shift in the rating burden away from higher valued properties and towards lower valued properties. ***(NOTE: This statement was factually incorrect. Data modeling shows that there would be a shift of up to $200 for some ratepayers, however the burden substantially remained with ratepayers in the upper ends of the market.)***

Council also made their decision aware that the current method of rating with the new valuations and adjustments for 2011/12 would have the following ramifications;

- Slight decrease in Cambridge residential rates
- Slight decrease in farm and "other" rates
- Other residential properties may pay slightly more in rates to counter the effect of the above reductions

The Council has an opinion that ratepayers in suburbs of Risdon Vale, Rokeby, Warrane and Clarendon Vale do not have capacity to pay a fair burden of the cost of the municipality's operational expenses. Yet council has not surveyed the individual ratepayer base to ascertain who in the municipality has or has not the "Capacity to Pay".

For instance, the areas mentioned are existing Housing Department enclaves where the current residence ownership comprises;

- rental housing where the State Government is the ratepayer and generally has total capacity to pay its fair share of the municipality's expenses.
- rental housing where private investors are getting market rental returns while taking advantage of low rates bills. They have a genuine capacity to pay a fair share of the municipality's expenses.
- owner / occupiers with varying degrees of capacity to pay, not dis-similar to other areas within the municipality.

In suburbs outside of the Housing Department enclaves, council has a record of the ratepayers who have diminished capacity to pay an unfair burden of the municipalities expenses (*those ratepayers currently receiving the State Government Rates Rebate*), yet it is unconcerned when those ratepayers face huge and consistent increases to their annual rates bill and rates bills well in excess of the average for gross residential rates in the municipality.

A letter from the Deputy Premier and Minister for Local Government, Bryan Green – to the Mayor of the Clarence City Council dated 11 May 2011 stated the following;

"The State Government is committed to ensuring that revenue raising from Tasmanian communities is efficient, simple, sustainable and equitable. Equity in revenue raising is particularly important given concerns in the community about the cost of living.

In terms of equity, I support the principle contained within the *Local Government Act 1993* that the majority of rates should be raised on the basis of some measure of 'capacity to pay'. Consistent with this position, I am prepared to consider providing additional flexibility in the Act to allow councils to judge that location is a reasonable basis upon which to assess the capacity for members of the community to pay rates"

In effect the last sentence disables the Minister's desire to have equity in revenue raising. The last sentence clearly supports Clarence City Council approach to discriminate by suburb as to capacity to pay and will entrench that council's view that they are doing the righteous thing to the exclusion and discrimination of people with similar capacity to pay and residing in other areas of the municipality.

This view also allows the;

- State Government to shirk their Community Service Obligations by not adequately funding their fair share of public housing costs

- well off private investors who own private rental housing in the public housing suburbs to not bear a fair burden of the municipality's expenses

- owner/occupiers in public housing enclaves, who have capacity to pay, to not bear a fair burden of the municipality's expenses

During the Rating Policy Workshop, held 05-March 2012, the Clarence City Council again decided against the implementation of setting a 50% fixed charge for the General Rate for 2012/13 for similar reasons as 2011/12. It also decided against using the new averaged area rating tools provided in the latest legislative change.

I have lobbied members of the Clarence City Council for some years now in an attempt to get some equity into the rating model. Over this time it has become evident to me that most of the Aldermen are ignorant of the real effects that their rating policy has on pensioner and low income ratepayers who live in suburbs outside of the "low end of the market". The data modeling provided to Council by the council administration is deficient and incomplete and does not allow Aldermen to see the real impacts of not adopting appropriate change as facilitated by the latest legislative changes.

There appears to be a concerted attempt by council administration to avoid scrutiny in this area. Last October I submitted a Public Question on Notice to the October 2011 meeting of the Clarence City Council, asking for details ($ & No.s) of pensioner and low income ratepayers whose gross residential rates exceeded the average gross residential rates for the municipality. The General Manager prepared a letter from the Office of the Mayor, with what could only be called a disingenuous reply, stating that the question was too complex ruling the question out of order as it was a request to deploy the resources of the council.

Land Valuation and Rating

When I received the Notice of Revaluation, which was used for rating 2007/8, I was unaware of the implication of the revaluation and of the inconsistency of the land value applied to my property when compared to other neighboring land of the same subdivision.

My land, an internal allotment, had been subject to major and extensive improvements prior to commencing to construct our home. Due to the steep and uneven terrain, I constructed a 75 metre reinforced concrete retaining wall along the lower boundary to make our land suitable for accessing and building. At its highest point the retaining wall is 1.8 metres above the original ground level.

I am now of the opinion that the improvements have been factored into the value of the land, which is contrary to the Valuation of Land Act. Unfortunately, I only became aware of this issue a couple of years after the objection period closed, when researching the reasons for my exorbitant rates.

The use of AAV as a base for setting annual council rates creates erratic and grossly unfair variations in rates charges between houses in the same street and neighboring suburbs, when the services provided are identical and the ability of the ratepayers to pay is not taken into account.

The AAV, Capital value or Land value are no longer genuine benchmarks representing a ratepayer(s) capacity to pay nor do they relate to the services provided by council. They should no longer be used.

For instance, take Land value, the vacant allotment at 22 Begonia Street (next door) was sold in the last year for approx $320,000. What will now happen to our property land value?, past performance by the Valuer General clearly shows that it will be increased to a similar value and our rates will escalate accordingly (our AAV is 4% of Capital Value), without any relevance to the services provided by council or to our capacity to pay.

Below, I have included a sample of the rates calculated for 2010/11 in our end of Begonia Street, Lindisfarne. The average rates were $1,556 with the lowest being $1,306 and the highest being $1,904 and ours was $1,836.

In some cases these rates, especially at the middle of the scale, bear no resemblance to the owner's capacity to pay. In our case it certainly does not bear testimony to the maxim in striking the rates that the greatest burden will be those with the capacity to pay.
Yet we all get the same services !?

Property ID	Street No	Land Value	AAV	2011/12 Adj Factor	2011/12 Adj AAV	AAV 2010/2011 Rates	AAV 2011/2012 Rates
2158282	2	228,000	15,340	1.05	16068	1,559.04	1,589.81
2158290	6	170,000	17,800	1.05	18688	1,707.02	1,804.13
7307582	10	168,000	16,040	1.05	16840	1,618.57	1,652.96
7307574	12	175,000	16,720	1.05	17556	1,676.40	1,711.53
7307566	14	165,000	16,920	1.05	17764	1,693.41	1,728.54
7307558	16	172,000	16,080	1.05	16884	1,621.97	1,656.56
7307531	18	175,000	18,940	1.05	19864	1,865.19	1,900.32
7307523	20	175,000	19,080	1.05	20032	1,877.10	1,914.07
5247969	24	175,000	18,600	1.05	19528	1,836.28	1,872.84
5247950	26	175,000	14,560	1.05	15288	1,492.71	1,526.02
5247942	28	161,000	15,340	1.05	16068	1,559.04	1,589.81
5247934	30	161,000	15,340	1.05	16068	1,559.04	1,589.81
7195787	32	175,000	14,820	1.05	15548	1,514.83	1,547.28
7195779	36	186,000	15,880	1.05	16672	1,604.97	1,639.22
5106701	38	140,000	14,820	1.05	15548	1,514.83	1,547.28
5106699	40	158,000	19,400	1.05	20368	1,904.32	1,941.55
5106680	42	172,000	14,300	1.05	14976	1,470.60	1,500.48
5106672	44	168,000	16,800	1.05	17640	1,683.21	1,718.40
5106664	46	168,000	15,080	1.05	15808	1,536.93	1,568.54
5106656	48	165,000	14,560	1.05	15288	1,492.71	1,526.02
5106648	50	158,000	13,520	1.05	14196	1,404.26	1,436.68
5106621	52	158,000	14,040	1.05	14716	1,448.49	1,479.22
7638488	U1/8	88,000	12,376	1.05	12948	1,306.98	1,334.60
7638496	U2/8	88,000	12,376	1.05	12948	1,306.98	1,334.60
2158274	1	182,000	15,880	1.05	16672	1,604.97	1,639.22
7307451	7	158,000	15,080	1.05	15808	1,536.93	1,568.54
5106349	9	158,000	12,376	1.05	12948	1,306.98	1,334.60
5106357	11	158,000	13,520	1.05	14196	1,404.26	1,436.68
5106365	13	158,000	13,780	1.05	14456	1,426.39	1,457.95
5106373	15	158,000	13,520	1.05	14196	1,404.26	1,436.68
5106381	17	158,000	14,040	1.05	14716	1,448.49	1,479.22
5106402	19	158,000	14,040	1.05	14716	1,448.49	1,479.22
5106410	21	158,000	15,340	1.05	16068	1,559.04	1,589.81
5106429	23	154,000	14,820	1.05	15548	1,514.83	1,547.28
		5,524,000	521,128				
						52,909.52	54,079.47
			Avge			1,556.16	1,590.57

Safety Mechanism to Cap Rates

I have proposed to the Clarence Mayor and other Aldermen, that the Clarence City Council should consider implementing a safety mechanism that would cap the gross residential rates for pensioners and low income earners to the average value for residential rates in the municipality. This safety mechanism would target capacity to pay with a better degree of social conscience than is currently being applied by CCC. I have only received negative replies from the Mayor, who seems intent on belittling my lobbying on this matter.

I have discussed this safety mechanism with the Local Government Division of the Dept of Premier and Cabinet, who have advised me that this proposal ticks all requirements and complies with the current Local Government Act.

Capacity for Ongoing Home Ownership

I have approached the Clarence City Council on numerous occasions in order to get some equity into the rating model, without success. Until the State Government initiated the rebate for the holders of the Commonwealth Health Care Card the only offering was to defer the payment of rates.

If the rating model continues to be based on the AAV or is changed to the Capital or Land Value then we will be placed in a medium term position where we will be no longer able to sustain the expense of living in our family home. In other words we will be forced to migrate from a family home that we built and cherish, to an area and residence where the rates are cheaper. In other words the Government and the Clarence City Council will be condoning discrimination against low income persons to living in areas seen to be affluent or having some value.

Summary

- Current legislation governing local government taxation discriminates against low income and pensioner ratepayers, living outside of the "low end of the housing market", who find that their humble family home is now an attractive piece of real estate imposing disproportionate calls for local taxes. *(Section 86A(1)(b) of the Local Government Act)*
- Current legislation allows the Clarence City Council to ignore the detrimental impacts of not introducing some equity into the councils rating policy and virtually encourages them to take the easy way out.
- Current legislation allows for implementation of a 50% fixed charge tax for the General Rate/Tax, which would go some way to mitigate the current excesses. Unfortunately Section 91(2) is not mandatory.
- Current legislation for Average Area Rates may mitigate my high taxes, however CCC will not implement it as they have not been provided with suitable data modeling to enable a proper assessment.
- A safety mechanism to cap the gross value of a pensioner and/or low income earner residential rates/tax, to the average value of gross residential rates in the municipality would alleviate some of the burden of our cost of living.

Rating models based on some form of residential or land value, whether it is capital, land or assessed annual value are not relevant or fair in today's economy. They are erratic, create major discriminatory impacts between neighboring residents and suburbs and cause extreme distress and anxiety when we are faced with annual rates bills, which have increased significantly more than neighboring properties receiving identical services and well in excess of increases in municipality expenses.

We are a low income family on struggle street, living in a nice home with a view. We have scrupulously saved for and actively built our home over many years. A lot of those years when we only had the bare essentials. We do not live in excess of our means, however the unfair council rates and steep rises in other utility costs are making it very difficult to make ends meet.

Yours Sincerely
Graeme F Miller