

From: Elena Walker
Sent: 19 August 2003 22:50
To: housing@pc.gov.au
Subject: submission Housing Affordabilty & Ongoing Affordability

I'm always amused by statements from various state and federal members commenting how local councils have anchored the Australian government system since the late nineteenth century, are close to their constituents and ideally placed to deliver cost effective, and efficient services to residents.

With governments flagging options to make home ownership more affordable why are residents being rated out of their homes by local councils?

The " traditional " way of doing things in regard to having council rates linked to land valuations is a prime example of how outdated, irrelevant and flawed the current Local Government Act 1993 (the Act) is in Queensland (and perhaps other states too).

These current tools have no bearing on how councils should just adopt basic accounting principles in formulating rates - balancing revenues against cost.

- a.. Why should residents have to defer their rate payments in order to survive?
 - b.. Why should residents then have to forfeit any equity or profit to councils from the sale of their homes?
 - c.. Why in some regions where the average taxable income is around \$32,500, some residents pay \$4,000 - \$8,000 and others only \$500 in rates when they all receive the same services from council?
 - d.. In regions where the average taxable income is \$32,500, why are some residents paying an equivalent amount in council rates as they are paying out in PAYE taxes or a mortgage - yes up to \$8,000 per annum for basic council services?
 - e.. In regional and remote areas are residents paying for services they are not receiving?
 - f.. Why should residents in many regions (Redlands, Gold Coast & Sunshine Coast) have to consider class action against their respective councils over unsustainable rate levels?
- Councils by laws set out in Local Government Act 1993 in Queensland must use the Unimproved Capital Value (UCV) in calculating their rates. Although other options/tools in conjunction with the UCV, such as capping or differential rating can be considered by councils to offset the effects of high valuation changes, this is not enforceable within the current laws/act so councils can abuse the system.

They are also required by this law to provide residents with a balanced user pay approach for services.

Here in Redlands Queensland we all received the same services from council but around 35 per cent of residents pay only \$500 a year while others are forced to pay between \$4,000 - \$ 8,000 for the same user pay services. Considering the average taxable income in the shire is \$32,500 this is unsustainable.

Have they delivered a balanced user pay approach?

No, this highlights a clear breach of this council's responsibilities under the act and is the stark reality facing a minority of ratepayers and is unsustainable and inequitable.

Redlands Council Council's 2003-04 budget generated \$92 million of its revenues through general rates and utility charges.

The most simple and equitable way of formulating a new rate system is for councils to divide the cost of providing these services by the number of rateable properties. As there are around 60,000 rateable that works out to be

around \$1533 per rateable property annually or about \$30 per week. Perhaps another rate tier can also be calculated for businesses.

On July 4 2003 economic forecaster BSI Shrapnel predicted property values in Brisbane and other Queensland regions to increase from 9-36% over the next few years. So where will that leave residents at the local level?

It's time for a total review of a very outdated Local Government Act 1993 (the Act), and pressure needs to be exerted on the State Government to do this.

Pressure should also be exerted on the State Government to update a very outdated the Local Government Act so councils do not continue to rate people out of their homes:

a.. Remove land valuations as rate determining tool - it is an outdated and irrelevant tool.

b.. Residents and businesses also pay stamp duty/land tax based on current land/market values so there is a lot of double dipping and further breaches of the system by both the state and local authorities in using land/property values as a revenue raising exercise this must cease.

c.. As the laws governing locals councils are enshrined in an act passed by our State governments an independent commissioner within the Local Government & Planning Department needs to be established to provide ratepayers with a mechanism to ensure councils are accountable for actions.

d.. If electoral changes can only be adopted by council resolutions supporting proposals for change via the Electoral Commissioner this is a costly, time consuming avenue that locks out ratepayers in trying to bring cost effective efficiencies to our elected government bodies and will be better served with an independent appeals commission as outlined above.

e.. Make this level of government relevant to today's world by doing away with councillors and mayors and appointing 2-4 managers to work directly with state authorities

High Debt Levels in Local Councils.

On June 27, 2003 Redland Council in Queensland released its 2003-04 budget, recording another deficit. Despite the boom times in housing and growth in this region, this council has not managed to achieve a surplus in the last decade.

More alarming the revenues for 2003-04 were \$124M but the debt levels reached \$111M. In two years this is projected to rise to \$121M which equates to \$1,000 of debt for each resident living in the shire (Redlands population is 120,000). For small communities this is really unsustainable situation and a burden not for years but decades imposed on them by their incompetence.

Both state and federal governments need to investigate the capacity of all councils to service their debts and ensure they are taking steps to reduce costs or withhold any grants or loans until they comply.

The 2003-04 budget revealed \$91.5m was raised through rates and charges but around 48% or \$44m goes to paying council employees. Its first cost cutting exercise should be to merge its two offices (only a few kilometers apart) and reduce this huge outlay to ratepayers. Staff numbers at Redlands Council are around 1,000 employees.

We do not need a dozen councillors to oversee the delivery of basic services as we also pay 26 senior managers (too many) and their staff to oversee these functions. There seems to be a culture by senior staff to spend large sums of money hiring consultants to do their job - the results are just a rehash of the same studies and reports under different headings every year or so.

The present council system needs reforming as councillors and mayors do not work to benefit a region as they bring their own personal biases, agendas and pet projects into play, evident from comments they make when discussing and voting

on issues. They have lost sight of the fact they are there to provide basic services to residents - water, sewerage, collect the garbage and mow a few lawns.

Major funding for roads, schools, hospitals, environment, law & order, transport and other major projects & infrastructures is administered and granted by the state government. The most effective solution would be to appoint 2-4 independent managers to work directly with state and federal authorities and other major stakeholders (residents and businesses) to bring about sustainable realistic programs and policies to a region.

Restructuring at the local level would reduce the bureaucracy, duplication and red tape to residents, businesses, farmers and organisations but more importantly arrest control out of the hands of bureaucrats.

In the world's richest and powerful country America, many of it's states are literally bankrupt (like California) because of outdated systems, laws, policies and infrastructure formulated in an industrial era which has no relevance in the 21st Century. Their economies are now service and technology driven so they face insolvency because the change agents needed to move with the times have not been implemented early enough.

It's clear from these few points that local governments are overdue for a complete overhaul and I welcome your input in moving debate forward to make changes to this archaic system of government and more importantly make ongoing housing affordability a reality.

Elena Walker
Qld
Australia