

5th June, 2009

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**RE: 2009/2010 BUDGET**  
**RATING STRATEGY**

Submitted by Robin Hocking

I am a rate payer living in the Cardinia Shire, and make this submission to your 2009/2010 Budget (Budget), and in particular to the proposed rating income and the strategy and method of achieving that income.

The budget provides for:

Total revenue \$58,986,000  
Total rates and charges \$37,034,000  
Increase for 2009/2010 budget – 5.80% overall

The budget papers propose seven categories of property types, each with four or five sub-categories. There are also 25 variable rates and all of the above involve a subjective decision to allocate a property description and a rate in the dollar of the Capital Improved Value (CIV).

In addition to the seven property type categories, each category is separately described and allocated certain conditions –

Description – eg. Agricultural Land 1 – size exceeding 40 hectares, and land used by a business likely to generate a turn over of \$25,000 or more during a financial year.

A rate in the dollar – these rates range from .002975 cents to .007700 cents in the dollar of the Capital Improved Value.

The objective of each property type is described ie. to ensure owners make an equitable financial contribution or to encourage development or to assist in the maintenance of farming activities....and discourage proliferation of non-agricultural activities...

All of the above are subjective decisions and there is nothing in the budget papers to indicate how those decisions are made. It becomes obvious that the greater number of categories, property types, rates in the dollar, and subjective descriptions, the greater the room for error and the greater, and considerably increased risk, of compounding mistakes impinging on the welfare of the Cardinia rate payers.

In contrast to the Cardinia Shire's proposed method of levying rates, which appears to have been unchanged over many years, the City of Casey have a strategy of only one rate in the dollar across all property types. For example, an industrial property valued at \$500,000 will pay the same rates as a residential property with the same value.

The Casey strategy is not in isolation throughout Victoria. It is simple to understand, comparatively inexpensive to maintain and control, and it was the subject of a detailed audit in December 2007 and January, 2008. The City of Casey appointed the Municipal Association of Victoria in February, 2007 to develop a strategy. The Municipal Association and Council Officers presented recommendations to the Casey Council over several briefings and prepared a draft briefing paper.

The briefing paper discussed and considered matters such as:

Equity – justice and fairness

Efficiency – cost of administering a rating system

Effectiveness – whether approaches other than rates could or would be more effective

Wealth tax – rates dependent on land values only and not the rate payers consumption of services, or perceived benefits to individual rate payers.

Benefit principal – no rational way of correlating the payment of rates with the rate payers consumption of services and relevant benefits received by various classes of property. Too many practical problems to be fair and reasonable.  
Capacity to pay – not practical – would lead to some rate payers having difficulty to meet obligations because of their capacity to pay rates.

The briefing paper was extensively reviewed by the Council, and Council recommended and confirmed the adoption of a uniform rate on Capital Improved Values (CIV).

I recommend to you that all parties involved in the Cardinia Shire Budget read the Casey position paper and recommendation.

I offer my concern and ask that the complicated and multiple rating strategy at Cardinia be reviewed over the forthcoming year, and that:

the current rating base be reviewed  
several property categories be re-examined to more accurately reflect a fair and reasonable rate to land owners, many who are under financial stress.  
consideration be given to a uniform rating strategy

I make the observation that **if** a single rate was used, the following would be part of the result:

The uniform rate would be .003491 cents.

The base rate – residential would increase by 7.94% being an average of \$82.00 per property

Vacant land (a) – a reduction of 52%

Vacant land (b) – a reduction of 28%

Commercial and industrial land (a) – a reduction of 17%

Commercial and industrial land (b) – a reduction of 28%

Agricultural 1 – increase of 44%

Agricultural 2 – increase of 17%

Cardinia Road Residential Precinct – vacant land (a) – a reduction of 53%

Agricultural land 1 – an increase of 32%

Pakenham employment precinct – base rate – a reduction of 16%

Commercial and Industrial (a) – a reduction of 30%

Agricultural 2 – a reduction of 10%

The above variations achieved by a single rate in the dollar are indicative of how subjective decisions have resulted in major discrepancies. If a single rate resulted in a 44% increase for Agricultural 1, and 17% for Agricultural 2 land, and lower rates for Vacant land (A) and (B) and Commercial and Industrial land, then it must be argued that these categories are currently paying either a smaller or greater share of the rating responsibility. The figures indicate that land in the Pakenham Employment Precinct is not contributing its fair share to the budget.

I do not hold sufficient information to make a definitive decision on whether a single uniform rate across the board would be the most desirable rate for the rate payers of Cardinia. However I believe my comments and the observations in relation to the subjective nature of the current rating strategy, all point to a very serious need to review the current strategy. There is an urgent need for an audit, and while I acknowledge a major change in the rate base is unlikely to occur in this current Budget, I sincerely ask that your Council investigate the possibility of bringing forward a reform of the rating strategy prior to the next Budget in 2010. The Budget for 2010/2011 will also be considering the results of a revaluation.

I ask for permission to speak at the Council meeting scheduled to discuss the Budget and will appreciate your advice as to when this will occur.

Robin H. Hocking FAPI.  
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