

Ref: [REDACTED]

19 November 2024

IPART Independent Pricing and Regulatory Tribunal NSW
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Online Submission

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Dear Sir/Madam

RE: REVIEW OF PRICES FOR THE VALUER GENERAL'S LAND VALUATION SERVICES TO COUNCILS

Kempsey Shire Council welcomes the opportunity to make a submission to IPART regarding the stated review. While we appreciate the level of detail and multiple factors that the review takes into account, for our small Council the issue is primarily about the negative impact the proposed price increases will have on Council's operations.

Our regional local government area is around halfway between Sydney and Brisbane, with a population of approximately 31,000, 13% of our people are indigenous and our largest employment sectors are health care and social assistance.

The NSW Government rate peg and the impact of cost shifting from both state and federal governments represents a significant limitation on Council's ability to generate the income required to meet established services levels.

While KSC acknowledge the cost increases forecast for delivering the Valuer General's service and the improvements outlined in the pricing proposal, the proposal represents a further cost shifting impact on local government.

The Local Government NSW survey and report into cost shifting released in November 2023, indicated a total cost shift of \$1.36 billion to Councils in 2021-22, the equivalent of \$460 per ratepayer annually and an alarming increase over the last decade. For Kempsey Shire Council the cost shift from other levels of government is approximately \$7 million per annum.

In May 2024 IPART released the determination on Kempsey Shire Council's application for a special rate variation (SRV), approving an increase of 24.09% over two years which was a partial approval of Council's submission. The determination reflected Council's clear need for additional income while acknowledging community feedback on the proposed rise.

Kempsey Shire Council accept this determination as a fair outcome, with some impact on the community but continued expectation on the Council to focus on financial sustainability and closing the gap between income and the cost of delivering the current level of service.

The determination states that without additional income *Council may not be able to provide essential services and maintain critical assets such as roads and concrete bridges*. The findings on debt servicing ratios indicated that Council has financial need for income above the rate peg to maintain financial sustainability.

While Council is implementing a variety of actions from its recently adopted Financial Sustainability Program to address the financial challenges posed by only a partial approval of the SRV, further shifting of costs to Council only serves to increase the size of this challenge. For these reasons the impact on Kempsey Shire Council of the proposed price increases is untenable.

Across the Kempsey Shire there is significant disparity between property valuations in the various towns and villages of the Shire. With many self-funded retirees buying their final home in our coastal towns, the land valuation impact on ratepayers is an issue of great concern, as was expressed to Council during the recent engagement process for the SRV.

This feedback has prompted Council to add an action into our Financial Sustainability Program to conduct a review of our rating structure. The outcome will help assure the community we are implementing the most equitable rating structure possible. Unfortunately, proposals such as these which result in further shifting of costs indicate a disregard of the general fund limitations expressed by so many Councils in recent SRV applications.

The proposal also states that 50.2% of the cost of managing objections to Councils has been allocated to Councils. Including this in the calculations of Councils fees for the valuation service does not respect the fact that there is a significant impact on Council resources as the first point of contact for many of these objections from home owners. As a small Council that has been subject to significant increases in valuations for coastal properties, we are forced to absorb the lost time cost incurred when customer service and revenue staff manage a large volume of community complaints each time valuations are released, and again when annual rates notices are generated.

Further incidental costs are incurred by Council in the time spent by communications staff on developing and disseminating educational campaigns explaining the valuation procedure and why Council cannot address complaints. Coastal Councils are already paying for the cost of complaints management and shouldn't be subject to that cost again in the pricing calculations for the Valuer General's services.

The Pricing Proposal shows significant cumulative savings from the hybrid delivery model, for mass valuations and objections. Those savings do not appear to be passed on to councils and ratepayers, which is further evidence of cost shifting at a State Government level.

Council has recently made submissions to both the state and federal government reviews into the financial sustainability of local government which addressed the financial challenges faced by Kempsey Shire Council and more broadly the local government sector. Given the acknowledgement by both higher levels of government of these challenges through the establishment of these inquiries / reviews, Council strongly recommends the proposed increases be reconsidered so that further financial burdens are not placed on the local government sector.

If you require any further information or clarification, please let me know.

Yours faithfully

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