Tamworth REGIONAL COUNCIL

All correspondence should be addressed to the General Manager
437 Peel Street
PO Box 555 (DX 6125)
Tamworth NSW 2340
P 02 6767 5555 E trc@tamworth.nsw.gov.au
www.tamworth.nsw.gov.au
ABN: 52 631 074 450

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Dear Tribunal Members,

SUBMISSION TO THE ISSUES PAPER – REVIEW OF THE RATE PEG TO INCLUDE POPULATION GROWTH

Ref: SM – QAP - Rates

Thank you for the opportunity to present this submission on behalf of Tamworth Regional Council (TRC).

In this submission, we have addressed all of the twelve issues, being the items that TRC are placed to offer valuable input to the discussion. TRC would welcome any future opportunities to comment and participate in this reform. TRC continues to work closely with its community at every opportunity to help achieve the principle goals in creating a fair and equitable rating system that reflects the needs of our individual communities.

It is without any doubt that we firmly believe the NSW Government should pursue the original IPART recommendation (number 3.2) to mandate Capital Improved Values (CIV) for metropolitan councils and allow a choice for non-metropolitan councils. It is noted that the NSW Government in its response has not completely dismissed the notion, stating they *'will not implement CIV as a basis for setting ad valorem rates at this time'*.

The NSW Government identified a possible pathway to achieve what CIV could deliver and commented that they *'will focus on providing greater flexibility in the current rating system through the creation of additional rating categories and sub-categories'*. These changes are currently before Parliament as part of a Local Government Act amendment Bill, however we are perplexed by any methodologies in regards to how this reform will work.

IPART noted in its review that *'CIV is also consistent with best practice in other jurisdictions'* and we believe consistent with the approaches in other Australian states. The use of CIV will also align rating methodology with the growth in population. As we understand it IPART's initial recommendation would include the following steps;

1. Parent land/lot – subject to land rates until date of subdivision.
2. Growth in land rates due to transition from one 'parent' property into numerous 'child' properties.
3. Growth in land rates due to completion of building and occupied.

There does not appear to be any mechanism in regards to how the rate peg would apply to new residents only. The current system provides for the rate peg to apply either as a General Variation or Special Variation to a councils Permissible Income. The Permissible Income is the total value of land rates that council permitted to raise it is not applicable at the individual property level.

It is noted that 'population' has not been defined and we submit that consideration should be given to tourism and employment hub population growth. Tourist populations can have a substantive effect on our local communities which is not always fed back through tourist spending. Employment hubs can also have a significant impact on the local economy with the inflow and outflow of employee and manufacturing goods into our regional city (eg abattoirs, mining, etc).

If population growth is aimed at the number of people as suggested in issue 5 and 6 the matter of exemptions then also needs to be addressed. Increasingly councils are seeing significant growth in non-rateability claims for land used for residential accommodation (Community housing and seniors living). A rate peg that includes a population growth factor will apply unfairly to the rate paying community and be unfairly distorted unless this issue is addressed. TRC would like to propose the NSW Government remove the exemption for all land used for residential accommodation.

Submission:

Issue 1: What council costs increase as a result of population growth? How much do these costs increase with additional population growth?

Costs in maintaining infrastructure, be it supplied by developer contributions or at the request of the community. These costs are represented by ongoing maintenance or capital costs and operational costs in the daily running of the asset.

The most significant cost to councils is in the acquisition of open space for active recreation, followed by the provision of social infrastructure such as a library or aquatic facility.

Fundamental changes in standards are also leading to councils inheriting environmentally sensitive land and the intrinsic cost associated with their maintenance. Land considered by developers as without value, such as bushland or subject to flooding had in the past been dedicated to local councils outside of the contribution planning regime.

Secondary dwellings are emerging as a growth sector. The foot print of the dwelling generally occupies a large area of the available open space of the property leaving little to no room for recreation. Council have noted increasing numbers of secondary dwellings being listed on the rental market, however there is no change to the land rates payable. TRC are of the view that this does not align with the key taxation principles of Efficiency or Equity.

Issue 2: How do council costs change with different types of population growth?

Changes in the demographic, socio-economic status and age of a community has an impact on the types of council costs. For example young families have different expectations to older populations, high density areas have different needs to towns and rural communities. Similarly there is a difference between the needs of new residents in greenfield subdivisions as opposed to residents in brownfields development.

TRC has noticed a growth in secondary dwellings predominately approved under the SEPP (Affordable Rental Housing). This type of development has an unexpected form of population growth enabling families to live reasonably within the secondary dwelling and thereby matching the number of residents in the principal dwelling. It is essentially a scaled down version of a dual occupancy, but without being either strata titled or Torrens titled and therefore not reflected in any growth for rating purposes. The aforementioned CIV land valuation model would address this issue and create a rates contribution pathway for these developments.

Further, community housing and aged care are increasingly being run by not-for-profit Public Benevolent Institutions which are exempt from land rates. TRC must continue to provide services to the occupiers of these premises such as libraries, footpaths, open space and leisure facilities however there is no contribution made towards supporting the network of services. The costs are therefore distributed amongst the rate paying community increasing their vulnerability.

TRC face the burden in meeting the costs of abandoning land rates and water and sewerage charges in accordance with the mandatory Pension Rebate Scheme. Although the NSW Government continues to fund 55% of such abandonments the remaining 45% is a cost to local communities.

Tamworth has become a destination for retirees from the surrounding towns and district for reasons for example medical proximity, retirement from the land, etc which representing an imbalance with other areas leading to a distortion of costs.

Naturally with the transition of retirees comes development more suited to their needs resulting in an increase in the rates and charges abandonment costs for this type of population growth.

Tourism is a recognised source of revenue and delivers significant financial contribution to the Tamworth economy. The inflow of tourist population during the Country Music Festival creates a false economy and although represents a great source of revenue to local businesses does come at cost to council.

Hotel accommodation is categorised for rating purposes as Business and attracts a higher annual rate than Residential. This aligns with meeting some of council's costs for car parking and open space and transport infrastructure. However short stay leasing such as AirBnB along with more traditional 'bed and breakfast' offerings do not provide any avenues for local councils to align the additional population with their impacts on local infrastructure.

Serviced apartments are also mandated by the Local *Government (General) Regulation 2005* (Clause 122) to be categorised as Residential despite the obvious commercial purpose and character.

A factor representing the inflow of population due to tourism is recommended. Areas of concern that are measurable and often fully funded by local communities are listed below;

- Effects of pollution – impacts on local sewer and water supply services
- Impacts on local nature and habitats
- Pressure on local infrastructure – roads, car parking, parks and gardens
- Congested human and vehicular traffic
- Effects on local commodity prices
- Loss of cultural identity
- Demand for Council Grants and donations to tourist based local events
- Funding for tourism organisations and services

TRC has become a regional commercial and industrial hub. Providing adequate road and transport (heavy vehicle routes) infrastructure is often applied unfairly. For example employees may travel from outside the Tamworth local council area, from a neighbouring council to gain access to employment. There is no mechanism to provide funding in these cases.

Issue 3: What costs of population growth are not currently funded through the rate peg or developer contributions? How are they currently recovered?

TRC's current development contribution plans do not reach the capped amount of $20,000 per dwelling/lot to incorporate social infrastructure. Councils current contribution plans only include essential facilities (such as roads, car parking, footpaths, cycleways and open space).

Council is currently reviewing the development contribution plans which may result in impacts from the capped amount.

Issue 4: Do you have any views on the use of the supplementary valuation process to increase income for growth, and whether this needs to be accounted for when incorporating population growth in the rate peg?

For clarification purposes council understands this question to relate wholly to the current system where an existing parcel (or parcels) of land are redefined due to the registration of a new plan (mainly Deposited Plan or Strata Plan). This process results in an increase to the council's property database based and triggers new valuations that are (except for Strata Plans) determined by the Valuer-General and consequently supplied via a supplementary valuation list.

It does not consider new valuations made due to re-ascertainment or objection etc. that are also provided via supplementary valuation process.

We do not believe there needs to be any changes in the current practice.

Issue 5: Are there sources of population data we should consider, other than the ABS historical growth and DPIE projected growth data?

Council would recommend that IPART consider the following data points in addition to the blended hybrid model of averaging past ABS data with future DPIE projected growth.

- Department of Education – Primary and High School registrations
- New Domestic Waste Collection services – Environmental Protection Authority
- Department of Planning – Occupation Certificates issued
- Tourism Research Australia – population effects due to tourism

Issue 6: Is population data the best way to measure the population growth councils are experiencing, or are there better alternatives (number of rateable properties or development applications, or other)?

Given annual population figures released by the ABS, outside the Census which occurs only every five years, are estimates and not necessarily a reflection of the actual population the use of occupation certificates and supplementary valuations is considered the most appropriate way to account for growth.

Issue 7: Do you think the population growth factor should be set for each council, or for groups of councils with similar characteristics? How should these groups be defined?

This will depend upon the model that is developed based on the consultation process. Council believes that it will be necessary to set growth rates at a minimum on cohorts of councils at a minimum, to be fair each council is different and therefore the growth factor would need to reflect the individuality.

Issue 8: Should we set a minimum threshold for including population growth in the rate peg?

Yes, if the rate peg is consistent across all NSW's councils the minimum population threshold should be the NSW population growth rate, or more accurately the average or median population growth rate. This will also depend heavily on how the population growth factor is determined, if an average cost of service per capita by council groupings is used as a proxy the minimum threshold could be determined by calculating the growth in rate revenue due to supplementary valuations compared with the assumed increase in cost of services.

Issue 9: What is your view on the calculation of the growth factor – should we consider historical, projected, projected with true-up, a blended factor or another option?

This will depend on the amount of data points that are considered. If additional data points such as those suggested in issue 5 it may be possible to blend past growth, current growth and projected growth to determine the factor.

Issue 10: How should the population growth factor account for council costs?

Notwithstanding the items identified in regards to reductions in infrastructure contributions, benchmarking the average costs of services across the 26 cost components used in the LGCI on a per capita basis across all NSW councils. This will then provide an indication of the extra funds needed on a service level to cater for any growth in population. However this assumes that the current rate revenue generated by councils is appropriate to deliver a high level of services.

Issue 11: Do you have any other comments on how population growth could be accounted for?

We have raised the use of CIV and would highlight that the transition to CIV represents the most efficient and accurate solution to this issue. We are aware that the NSW Government has sidelined the matter, however we strongly recommend that this decision be properly investigated and be more accurately assessed.

In our view each of the following issues will be addressed;

- Aligns with changes in population – new value made once occupiable building granted an Occupation Certificate.
- Removes the need for IPART assessments and multiple rate pegs.
- High growth councils will receive rates consistent with changes in population.
- Low growth councils will not be adversely affected, any developments in their area will result in rates growth
- It is simple and easily explained to ratepayers.

Issue 12: Do you have any comments on our proposed review process and timeline?

The timeline and review process appear to be adequate and have no additional comments or suggestions to make in this regard.

Thank you for providing this opportunity, I trust this submission is of some assistance to the IPART, if you have any enquiries or require clarification please do not hesitate to contact me directly.

Should you have any queries in regard to this or any other matter, please do not hesitate to contact me.

Yours faithfully

Seon Millsteed
Revenue Accountant
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12 May 2021