



Parkes Shire Council

Special Variation Application Part B

Criterion 3 Annexures

Rating Structure and the Impact on Rate Payers

Annexure 3.a

Parkes Shire Council Delivery Plan

Pages 12 & 13

"Funding the Delivery Plan"

Funding the Delivery Program

IDENTIFYING THE NEEDS AND WANTS OF THE COMMUNITY

Since March this 2012 Council has been preparing for the current round of the Integrated Planning and Reporting, encompassing a review of the 10 year Community Strategic Plan and development of this Delivery Program. Council has carried out an intensive community engagement as outlined in the Community Engagement Strategy (Continuum) 2012 document, this was done to determine the service delivery and project delivery expectations across the Shire. Council has also conducted a detailed analysis of Councils Workforce Plan, Asset Management Plans and the Long Term Financial Plan. This process has resulted in Council having developed three resourcing scenarios which are outlined in the Long Term Financial Plan for consideration regarding the Delivery Program being; Current Situation, the Static Delivery Program and the Progressive Delivery Program.

The Current Situation Model: was based on no new income sources being made available to Council. With this scenario it sees that the current operating deficit remains, no new Capital for new projects is available and there is insufficient funding to cover depreciation. **T Corp (NSW Treasury) have indicated Council is not sustainable in the long term under this scenario.**

The Static Delivery Program Model: was based on a cumulative 7% increase each year for four years above the existing rate cap estimated at 3%. After the four years this would total a 46% increase, and if the estimated cap is taken out this would mean a total 31% increase over and above the cap on the general rate in four years time. The Static Delivery Program would see the operating deficit returned to a balanced budget. Council could then instigate a capital program that just exceeds depreciation by funding an approximate \$3m per annum renewal program. Some minor asset maintenance backlog would be able to be addressed however there would be no new additional assets planned.

The Progressive Delivery Program Model: This program is based on a cumulative 10% increase each year for four years above the existing rate cap estimated at 3%. This would after the four years total a 63% increase, and if the estimated cap is taken out this would mean a total 46% increase over and above the cap on the general rate in four years time. The Progressive Delivery Program would see the operating deficit turned into an operating surplus. The capital works program would then exceed depreciation. The surplus would be used to fund an approximate \$4m per annum capital program which sees the significant asset maintenance backlog faced being addressed.

Council has conducted a number of Community Programming Workshops in October 2012 across the Shire, working with the community to prioritise the three resourcing scenarios. The results of this process where that 78% in favour of the Progressive Delivery Program, 16% in favour of the Static Delivery Program and 6% in favour of the Current Situation. Council has continued to seek input from the community since these workshops via a wide spread media campaign including a web based survey. This survey had similar results with 60.6% in favour of the Progressive Delivery Program, 25% in favour of the Static and 14.4% favouring the Current Situation. (For more information refer to the Community Engagement Strategy (Continuum) 2012

CONSIDERING THE REASONABLENESS AND IMPACT OF INCREASING THE GENERAL RATES

Council commissioned the Western Research Institute (WRI) to examine the reasonableness of the proposed rate variations under the Static and Progressive Delivery Program models. WRI considered three main criteria in their methodology being; Price Comparisons (other goods usually purchased), Impact (on incomes), and Peer Comparisons (other

Councils). The report also considers the impacts on those possibly less advantaged using what is termed a SEIFA ranking which is a measure compiled by the Australian Bureau of Statistics the findings of the report are summarised below;

Price Comparisons:

Price comparisons (households) - under both the static and progressive plans rates increases do not exceed the past and anticipated price increases of the services most closely aligned to local government services. These services include utilities and child care with local government itself usually providing water and some child care services. The static rate increase does not even exceed the price increases of services in general over the relevant period.

Price comparisons (farm and non-farm business) - except for input prices to electricity and rail freight, even the static rate increase exceeds the past and anticipated input price and wage increases over the relevant period

Impact:

Impact (households) - rates represent less than 1 per cent of the household expenditure of 80 per cent of Parkes households so that even with the 64 per cent rate increase of the progressive plan implementation, rates remain below 1 per cent of household expenditure and the increase represents less than one percentage point of household expenditure.

Impact (farm and nonfarm businesses) - overall the impact is relatively small on non-farm business with rates representing less than 1 per cent of value added. Even with the progressive plan implementation, rates will increase by less than 1 percentage point of value added. Therefore the impact of even the progressive rate increase is insignificant for non-farm business. However rates are more significant for farm businesses

representing up to 4 per cent of value added in Scenario 2 (growing agriculture) and up to 6 per cent of value added in Scenario 1 (stagnating agriculture) and hence, so too is any rate increase. Nevertheless concern about this impact should be mitigated to some extent because the significance of rate increase from farm businesses is in part due to the growing number of hobby farms. In addition, the assumption of stagnating agricultural value added may be less plausible than the assumption of growing agriculture, and hence the impact of the rates increase in Scenario 1 may be indeed overstated.

Comparison with Peers:

Comparison with peers - The average household incomes of Parkes is just above the median income of Group 10 and 11 LGAs while its current rates are well below the median for Group 10 and Group 11 LGAs. Under the progressive rate increase Parkes rates would rise just above the median for these 2 groups of councils. By itself this would suggest that the progressive rate increase is consistent with Parkes' peers. However Parkes is well below the median of these councils in terms of the SEIFA index. This suggests that Parkes has a relatively large proportion of relatively disadvantaged households. This issue is addressed through Council monetary rebates and hardship policies.

Overall Conclusions:

In summary, even the rates increases under the progressive program passed most of the tests for reasonableness. Both the static and progressive programs result in rates increase exceeding the rise of input costs for businesses. For non-farm businesses the rates as a percentage of value added is less than 1 per cent, suggesting that the impact is low. However, for farm businesses, the rates/value added ratio is higher due to the growing number of 'hobby farms'. This overstates the real impact of rates on farm businesses. Additionally, Parkes Shire has low SEIFA.

ranking, suggesting significant disadvantage of certain population groups. This disadvantage is countered by monetary compensation and policy action that are included in both programs. Overall, even the progressive program broadly satisfies reasonableness test.

THE SPECIAL RATE VARIATION PROCESS AND HOW IT WILL BE MANAGED

Parkes Shire Council has made the difficult decision to seek a Special Rate Variation (SRV) from the NSW Independent Pricing and Regulatory Tribunal (IPART) in line with the funding model to support the Progressive Delivery Program. This sees a cumulative 10% increase a year for four years above the existing rate cap estimated at 3%. This would after the four years total a 63%. The adopted draft IP & R Planning documentation including this Delivery Program will be placed on display for submissions for a period of 28 days from the 30th of January 2013. Council will consider any submissions made and has until March 11th to submit a finalised Special Rate Variation application under Section 508A of the Local Government Act 1993 to IPART.

IPART will then consider this application and Council will be advised in June 2013 of the decision of IPART and the approved General Rate level set. Although Council believes it has a strong case to support its application ultimately IPART have the discretion to refuse any rise above the cap that was set on the 26th of November 2012 being 3.4%, or alternatively a percentage increase anywhere from the level of the cap up to and including the full amount sought being 13% each year for 4 years.

To assist the reader in being able to identify which of the projects, initiatives or items in the Delivery Program are directly reliant upon the Progressive

Funding component these are identified as being Actions in a green font with an additional differentiation being found in the Action number by having a "P" added to the identifying number. It is these actions that will be subject to adjustment or elimination after the decision of IPART. Similarly the items as they appear in the Capital Works Programs in both the 4 Year Financial Forecasts and the Operational Budget have been identified and appear in green font.

NOTE RE DELIVERY CHALLENGE ASSESSMENT

The potential of the Special Rate Variation to assist in delivery of the actions of the program can generally be assisted by comparing the risk rating of the original action (BLUE action) compared to the risk rating of the progressive action (AUGMENTED PROGRAM GREEN P action).

Note: New "Progressive" Programs/Projects however are not able to be compared in the same manner.

Documentation relating to Councils Special Rate Variation Application to IPART can be found on its web site www.parkes.nsw.gov.au

Annexure 3.b

Western Research Institute Report

**Proposed Special Rate Variation for
Parkes Shire Council**





REPORT ON PROPOSED SPECIAL RATES VARIATION

For Parkes Shire Council



Prepared for Parkes Shire Council

13th December 2012

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12030 Parkes Rates/Report



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REPORT ON PROPOSED SPECIAL RATES VARIATION

EXECUTIVE SUMMARY

Parkes Shire Council proposes to increase residential, farmland and business rates by 10% per annum for four years under its static plan and by 13% per annum under the progressive plan.

The proposed plans are assessed for reasonableness in terms of the rates' movement in line with prices and costs in Parkes Shire; impact on the household expenditure and business viability; and the standing of Parkes Shire relative to its peers in terms of personal incomes, land values and socio-economic indicators.

The rates are considered to be moving in line with the other prices and costs for households, farm and non-farm businesses, if their increase results in rates catching up with other prices and costs increases.

The impact of rates is considered insignificant if rates as a percentage of household expenditure (or business value added) changes by less than 1 percentage point.

For peer comparison, the rates are seen as consistent with Parkes Shire rankings, if following implementation of the plans, the council rates are brought in line with Parkes Shire average personal income, while socio-economic disadvantage is compensated.

The household and business costs are calculated from the relevant CPI index categories. The household expenditure and business bottom line are respectively reconstructed from the Australian household expenditure survey and Parkes Shire data on value added and the number of businesses. The relevant peers for Parkes Shire are NSW, 'Group 10' and 'Group 11' councils.

For Parkes Shire households, rates increases under both plans are closely aligned with price increases of certain services (utilities and childcare). However, for farm and non-farm businesses, rates increases under both plans are above anticipated input price and wage increases.

Under both static and progressive plans, the rates will represent less than 1 per cent of household expenditure. Rates will be above 2 per cent of pensioners' expenditure; however, a pensioners' rebate will reduce this number.

Under both plans, rates will represent less than 1 per cent of value added of non-farm businesses. For farm businesses, the rates will constitute up to 4 per cent of farm value added; this, however, is due to the growing number of hobby farms in Parkes Shire.

Under the progressive plan, the Parkes Shire rates will move from below the median for Group 10 and Group 11 LGAs to above the median and will be brought in line with Parkes Shire average personal income. Although Parkes Shire socio-economic standing is low, a monetary compensation will be provided under both the static and progressive plans.

In summary, even the rates increases under the progressive plan pass most of the tests for reasonableness. Both the static and progressive plans result in the rates increase exceeding the rise of input costs for businesses. For non-farm businesses the rates as a percentage of value added is less than 1 per cent, suggesting that the impact is low. However, for farm businesses, the rates/value added ratio is higher due to the growing number of 'hobby farms'. This overstates the real impact of rates on farm businesses. Additionally, Parkes Shire has a low SEIFA ranking, suggesting significant disadvantage of certain population groups. This disadvantage is countered by monetary compensation that is included in both plans. Overall, even the progressive plan broadly satisfies the reasonableness test.

REPORT ON PROPOSED SPECIAL RATES VARIATION

1. INTRODUCTION

In May 2012, Parkes Shire Council (Council) engaged in a series of consultations with the Parkes community regarding the quality of public services provided by Council and the possible expansion of services delivery. In September 2012 Council conducted a survey on this matter. The community unequivocally called for an expansion of services. Reflecting the community needs, the Council devised a four year delivery plan. The fiscal position of Council is however unsustainable, with current expenditures exceeding the income, limited reserves available for immediate use in the general fund, and limited depreciation allowances likely to lead to asset deterioration in the future. As a result, Council proposed to increase residential, farmland and business rates to tackle the deficit.

Council considered two alternative plans of rates increase—a static plan and a progressive plan. Under a static plan the residential, farmland and business rates will uniformly increase by 10% per annum (i.e. 7% above CPI rate that is assumed to stand at 3% per annum) for each of the four years. Under a progressive plan all three rates will uniformly increase by 13% per annum (CPI + 10%) for each of the four years. Parkes Shire Council proposes to start implementing either of the plans in the financial year 2012-13. The implementation will stop in financial year 2016-17.

The rate increase will be in excess of the 3.4% pegging percentage set by the Independent Pricing and Regulatory Tribunal (IPART) for 2013/14, and therefore a separate application by Council has to be made to IPART, providing justification for the rates increase above 3.4%.

IPART guidelines specify that the relevant evidence supporting the application for the rate increase should include the discussion of the community's capacity to bear the effects of the rate increase (e.g. the SEIFA rankings, land values, disposable income levels), and the comparison of rate levels and socioeconomic indicators with peer group councils.

The following report examines three issues pertaining to the proposed rates increase and Parkes Council application to IPART. The 3 issues are:

- The comparison of the proposed rates increase with the increase of costs and prices, recently experienced by Parkes Shire residents, farm and non-farm businesses.
- The impact of the proposed rates increase on Parkes Shire residents' household expenditure, and viability (financial bottom line) of Parkes Shire farm and non-farm businesses.
- A comparison of the socioeconomic indicators in Parkes Shire and neighbouring local government areas (LGAs), following the implementation of the rates increase.

2. METHODOLOGY

The report analyses both the static and progressive plans for reasonableness. Three aspects of reasonableness are considered. These are price comparison, impact and peer comparison.

Price comparisons

To determine the reasonableness of the rate increase for households, this report first considers cost increases of major items of goods, services and utilities borne by households over the last 4 years. It is assumed for the purposes of this exercise that similar increases will occur over the next 4 years.

To determine the reasonableness for farm and non-farm business input price increases over the last 4 years for each of the major industries in the Parkes are considered. Again it is assumed that similar increases will occur over the next 4 years.

The rate increase will be considered in line with other price and costs increases if the rate increase does not exceed the actual price increase of related items over the last 4 years plus the assumed increase of related items over the next 4 years minus the actual rate increases over the last 4 years. In other words the rate increase may include a catch up component.

Impact

The impact of the rate increase for households will depend upon the relative size of the rate increase in the household budget. Estimates of household expenditure and individual expenditure items in Parkes LGA are not available, but can be reconstructed from Australia-wide household expenditure survey and Parkes average household income. The proposed residential rates are then compared to the average expenditure of the Parkes household. The relevant calculations are performed for all households, as well as for households that have various income levels (income quintiles), sources of income (wages and salaries, superannuation and annuities etc), and households that receive various forms of government payments (age pension, unemployment benefits etc).

The impact of the rate increase on households is considered insignificant if it changes rates as a percentage of household expenditure by less than one percentage point.

The impact of the rate increase for Parkes farm and non-farm businesses will depend upon how the increase affects the business bottom line or gross operating surplus (GOS). Figures for GOS for Parkes are not available but GOS is part of the value-added of Parkes industry and the 2 concepts are related. Therefore, the ratio of rates to industry value added is a good proxy for the impact of rates on industry viability and is used in the analysis of Parkes industries over the period 2013-17. (It should be noted that rates are tax deductible so for the comparison the company tax rate should be deducted from the rate increase.)

The impact of the rate increase on the viability of Parkes farm and non-farm business is considered insignificant if 70 per cent (i.e. deducting company tax) of the rate increase changes rates as a percentage of industry value added by less than 1 percentage point.

REPORT ON PROPOSED SPECIAL RATES VARIATION

Peer Comparison

Parkes Council is compared to three peers: New South Wales as a whole, 'Group 11 LGAs' to which Parkes Shire belongs, as well as to a combined 'Group 11 & Group 10 LGAs'. Specifically, WRI looks at whether the level of rates in Parkes Shire has been in line with its peers, and at how Parkes Shire Council was ranked relative to peers in such areas as socio-economic disadvantage of its population, land values and average personal incomes. This latter aspect is crucial, as a low ranking in the above areas points to the unaffordability of the rates' increase. In addition WRI makes a projection of the future ranking of the Parkes Shire in terms of rates.

The rate increases are considered consistent with Parkes rankings in terms of personal income, land values and socio-economic (dis-)advantage, if:

- Following the implementation of either the static or progressive plans, the rates ranking of Parkes Shire is brought in line with its average personal income ranking;
- Some form of assistance accompanying the rates increase is provided in order to compensate for the relative disadvantage (low SEIFA ranking) of the Parkes Shire.

Appendix A outlines the methodological procedures employed, assumptions made, intermediate results and data sources.

3. RESULTS

3.1 Price comparisons

a. Households

As shown in Table 1, over the past four years the inflation was uneven across industries and sectors. The cumulative percentage change in the aggregate CPI was 9.8%. Utilities prices rose by an average of 60%, the cost of several services rose as well (education costs by 25.3%, child care costs by 34.1%) while the CPI for travel and accommodation, recreation and culture and clothing and footwear declined marginally. The actual increase in property rates and charges across Australian capital cities was also substantial, totalling 24.9%.

The data in Table 1 suggests that a rates' increase of 46.4% and 63.0% over 2013-2017 period is well in line with services and utilities price inflation (but not goods price inflation) experienced in Australia in the past four years. WRI believes that the past trend is likely to continue in the near term with cumulative price increase in 2013-17 being commensurate with CPI gains in 2008-12. This view is based on the forecasts by the Reserve Bank of Australia and the Commonwealth Government of no major acceleration or deceleration of inflation. In certain areas (electricity), administrative action will moderate inflation pressure: as reported by the Australian Energy Market operator (AEMO), in the NSW electricity prices will rise more gradually from 2013, with cumulative changes reaching 36% over 2013-17.

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 1: Actual and projected costs for Parkes Shire Council based on the weighted average capital cities CPI (cumulative % change)

	Past change (Sept 2008 - Sept 2012)	Assumed change (2013 - 2017)	Past change + Assumed change - past rate change
All groups CPI	9.8	9.8	10.4
1. Services			
Healthcare	22.1	22.1	35.0
Education	25.3	25.3	41.3
Insurance and financial services	2.5	2.5	-4.2
Travel and accommodation	-1.2	-1.2	-11.6
Recreation and culture	-2.1	-2.1	-13.4
Communications	2.6	2.6	-4.2
Child care	34.1	34.1	58.9
2. Goods			
Food and beverages	9.7	9.7	10.1
Alcohol and tobacco	24.2	24.2	39.2
Clothing and footwear	-0.1	-0.1	-9.4
Household equipment	5.4	5.4	1.5
3. Utilities			
Electricity	73.4	36.0*	100.1
Gas	46.9	46.9	84.6
Water and sewerage	46.2	46.2	83.1
4. Property rates and charges	24.9	24.9	40.6
5. Parkes rates			
Static	9.3	46.4	46.4
Progressive	9.3	63.0	63.0

Note. * Forecast by the Australian Energy Market Operator ote. * Forecast by the Australian Energy Market Operator

Items in bold are comparable to council services.

The actual price increase of child care, education, property rates and charges across Australia, as well as utilities over the last 4 years plus the assumed price increase of these items over the next 4 years minus the actual rate increases over the last 4 years appear in line with the proposed rate increases under both the static and progressive plans.

b. Farm and Non-Farm businesses

As shown in Table 2, over the 2008-12 period, the increases in input costs (past change in 2008-12 plus assumed change in 2013-17 minus past rate change) were 97.2% and 49.5% in electricity and rail freight industries, while the rise of input costs in manufacturing was insignificant (3.2%). Input costs fell in the agricultural sector (-2.2%). The increase in wage costs was more or less uniform across industries, ranging from 17.3% in accommodation and food services to 26.7% in electricity.

Table 2: Actual and projected costs for Farm and Non-Farm businesses.

With the exception of the electricity industry, the proposed rates increases are above both the input prices and wage costs of Parkes Shire farm and non farm business.

Industry	Input prices (past change + assumed change - past rate change)	Wages (past change + assumed change - past rate change)
Metal ore mining	42.1	26.5
Electricity	97.9	26.7
Manufacturing	3.2	17.9
Construction	8.5	21.9
Accomodation & food services	11.9	17.3
Rail freight	49.5	23.1
Agriculture	-2.2	
Public administration & safety		23.1
Education & training		23.5
Health care & social assistance		21.7

Note. For agriculture and manufacturing it is not anticipated that future price changes will mirror past price changes, beacuse it is unlikely that the Australian dollar will appreciate to the same extent as in the past.

REPORT ON PROPOSED SPECIAL RATES VARIATION

3.2 Impact

a. Household expenditure

Table 2 presents the proportion of residential rates under the static and progressive plan in the overall expenditure of Parkes Shire households. It is shown that under the static and progressive plans the total cost of residential rates incurred by the households in the lowest quintiles will not exceed 1.67% and 1.86% of the total expenditure respectively. For those households receiving the age pension, the costs will stand at 2.26% and 2.51% of the total expenditure. Parkes Shire Council intends to provide a rebate to pensioners, so these numbers will therefore be reduced. For all households, the cost of residential rates will be 0.89% and 0.99% of the total expenditure under static and progressive plans respectively in financial year 2016-17.

Parkes Shire Council rates as a proportion of total expenditure (% in 2016-17)

Table 2.1a level of income

	Lowest	Second	Third	Fourth	Highest	All households	Second and third deciles
Initial (2012-13)	1.60	1.11	0.84	0.68	0.55	0.85	1.34
Static plan (2016-17)	1.67	1.16	0.88	0.72	0.58	0.89	1.41
Progressive plan (2016-17)	1.86	1.30	0.98	0.80	0.64	0.99	1.57
Change (2013-17) Static plan	0.07	0.05	0.04	0.04	0.03	0.04	0.07
Change (2013-17) Progressive plan	0.26	0.19	0.14	0.12	0.09	0.14	0.23

The Parkes Shire Council has a policy to charge low income households a minimum rate of \$300 per year (\$5.77 weekly). For households paying the minimum rate, the cost of rates will be 0.9% of total expenditure in 2012-13. Following implementation of static or progressive plans in 2016-17, the cost of rates for low income households will be 0.94% and 1.05% of total expenditure respectively.

Table 2.1b sources of income

	Wages and salaries	Own unincorporated business income	Other income	All households
Initial (2012-13)	0.71	0.69	0.76	0.85
Static plan (2016-17)	0.75	0.73	0.81	0.89
Progressive plan (2016-17)	0.83	0.81	0.91	0.99
Change (2013-17) Static plan	0.04	0.04	0.05	0.04
Change (2013-17) Progressive plan	0.12	0.12	0.15	0.14

Table 2.1c sources of government transfers

	Receives age Pensions	Receives disability and carer payments	Receives unemployment and study payments	Receives family support payments	Receives other payments
Initial (2012-13)	1.96	1.52	1.49	1.34	1.86
Static plan (2016-17)	2.26*	1.81	1.75	1.57	2.21
Progressive plan (2016-17)	2.51*	2.02	1.95	1.75	2.46
Change (2013-17) Static plan	0.30	0.29	0.26	0.23	0.35
Change (2013-17) Progressive plan	0.55	0.50	0.46	0.41	0.60

Notes.

Changes under static or progressive plans are calculated as rates/household expenditure ratio in 2016-17 minus rates/household expenditure ratio in 2012-13

The pensioner rebate is to be administered under both the static and progressive plan. This will decrease the rates / household expenditure ratio for age pension recipients and will ease the deterioration of the SEIFA ranking.

The proposed increase of residential rates in Parkes Shire appears to have a low impact, because:

- Among Parkes Shire peers in Group 11 and its neighbours, the current rates/expenditure ratio is the 7th lowest, with such councils, as Greater Hume, Cabonne, Tumut, Gunnedah, Inverell, Orange and Dubbo having higher rates/expenditure ratio (Table 2.2).
- Rates as a percentage of total household expenditure will rise by less than 1 percentage point over 2013-17 period and this is unlikely to alter Parkes Shire ranking relative to its peers.
- Rates as a percentage of total household expenditure will rise by 0.55 percentage points in the pensioner category, but only by 0.09 percentage points in the highest income category.

In this respect, it appears that in the year 2016-17 (i.e. by the end of implementation period), households across all classification categories will be able to pay the rates without unduly compromising their overall expenditure.

REPORT ON PROPOSED SPECIAL RATES VARIATION

Table 2.2. Rates as a proportion of total household expenditure in Parkes Shire and peer LGAs

Local Government Area	Group	% of Total expenditure
Bellingen Shire Council	11	1.51
Nambucca Shire Council	11	1.47
Orange	4	1.46
Dubbo	4	1.31
Inverell Shire Council	11	1.26
Leeton Shire Council	11	1.22
Narrabri Shire Council	11	1.21
Moree Plains Shire Council	11	1.20
Forbes Shire Council	10	1.17
Cooma-Monaro Shire Council	11	1.06
Palerang Council	11	0.95
Gunnedah Shire Council	11	0.93
Greater Hume Shire Council	11	0.87
Tumut Shire Council	11	0.86
Cabonne Shire Council	11	0.85
Young Shire Council	11	0.82
Yass Valley Council	11	0.78
Lachlan Shire Council	10	0.78
Muswellbrook Shire Council	11	0.76
Upper Hunter Shire Council	11	0.73
Cowra Shire Council	11	0.72
Corowa Shire Council	11	0.70
Parkes	11	0.84

b. Farm and non-farm business viability

The impact of farmland rates on the viability of farm enterprises will vary depending on the projections of the agricultural value added in Parkes Shire and the forecast of the number of farms.

Table 3 shows that under Scenario 1 (fluctuation of agricultural production around a 5-year mean) and the static plan, the farmland rate/value added ratio will stand at 5.3%, while under Scenario 2 (fluctuation of agricultural production along a long-term upward deterministic trend) and the static plan, the ratio will stand at 3.4%. Under Scenario 1 and the progressive plan and under Scenario 2 and the progressive plan the ratios will be respectively 5.9% and 3.8%¹.

Farmland rates and farm business viability

Table 3a. No special rates variation in farmland rates

Year	Farmland rates	No. of farms	Value added (\$'000) Scenario 1	Value added (\$'000) Scenario 2	Rates/value added (%) Scenario 1	Rates/value added (%) Scenario 2
2012-13	1831.3	1409	60,686	63,788	2.97	2.83
2013-14	1886.2	1416	56,013	67,147	3.34	2.78
2014-15	1942.8	1423	62,383	70,682	3.1	2.73
2015-16	2001.1	1431	49,932	74,403	4.01	2.7
2016-17	2061.1	1438	50,669	78,321	4.09	2.65
Change (2013-17)					1.12	-0.18

Table 3b. static plan

Year	Farmland rates	No. of farms	Value added (\$'000) Scenario 1	Value added (\$'000) Scenario 2	Rates/value added (%) Scenario 1	Rates/value added (%) Scenario 2
2012-13	1831.2	1409	60,686	63,788	2.97	2.83
2013-14	2014.4	1416	56,013	67,147	3.56	2.97
2014-15	2215.8	1423	62,383	70,682	3.54	3.12
2015-16	2437.4	1431	49,932	74,403	4.89	3.28
2016-17	2681.1	1438	50,669	78,321	5.33	3.45
Change (2013-17)					2.36	0.62

¹ The principal explanation of such seemingly high numbers is that the number of farms in Parkes Shire has not been declining over the past 20 years, as can be expected from the reading of economic theory and agricultural history. As a result the production structure of Parkes is dominated by a large number of agricultural enterprises with a low level of average output and relatively high farmland rates/average output ratio. This should not necessarily be interpreted as an inability of farmers to pay rates, as it is likely that many farmers derive their income from other sources, with farming being akin to 'hobby activity'.

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Table 3c. Progressive plan

Year	Farmland rates	No. of farms	Value added (\$'000) Scenario 1	Value added (\$'000) Scenario 2	Rates/value added (%) Scenario 1	Rates/value added (%) Scenario 2
2012-13	1831.3	1409	60,686	63,788	2.98	2.83
2013-14	2069.3	1416	56,013	67,147	3.66	3.05
2014-15	2338.3	1423	62,383	70,682	3.73	3.29
2015-16	2642.3	1431	49,932	74,403	5.3	3.55
2016-17	2985.8	1438	50,669	78,321	5.93	3.84
Change (2013-17)					2.95	1.01

Notes: Rates / value added ratio has been deflated by 30% company tax rate.

Regarding the viability of non-farm businesses, since the number of businesses has been increasing at a slower rate than the value added for Parkes Shire, the average revenues of non-farm businesses were high and business rates / value added ratios relatively low (Table 4). WRI assumes that this structural pattern will be preserved during the course of the static or progressive plan implementation. It is expected that under the static plan the business rates / value added ratio will be as low as 0.19% by 2016-17, while under the progressive plan it will be slightly higher at 0.22%. Both numbers have a low impact on Parkes Shire businesses.

Business rates and non-farm business viability

Table 4a. No special rates variation in business rates

Year	Business rates	No. of businesses	Value added (\$'000)	Rates/value added (%)
2012-13	2010.7	658	595,914	0.155
2013-14	2071	668	626,343	0.154
2014-15	2133.2	677	658,326	0.154
2015-16	2197.2	687	691,943	0.153
2016-17	2263.1	697	727,276	0.152
Change (2013-17)				-0.003

Table 4b. Static Plan

Year	Business rates	No. of businesses	Value added (\$'000)	Rates/value added (%)
2012-13	2010.7	658	595,914	0.155
2013-14	2211.8	668	626,343	0.165
2014-15	2433	677	658,326	0.175
2015-16	2676.3	687	691,943	0.186
2016-17	2943.9	697	727,276	0.197
Change (2013-17)				0.042

Table 4c. Progressive Plan

Year	Business rates	No. of businesses	Value added (\$'000)	Rates/value added (%)
2012-13	2010.7	658	595,914	0.155
2013-14	2272.1	668	626,343	0.169
2014-15	2567.5	677	658,326	0.185
2015-16	2901.3	687	691,943	0.201
2016-17	3278.4	697	727,276	0.22
Change (2013-17)				0.065

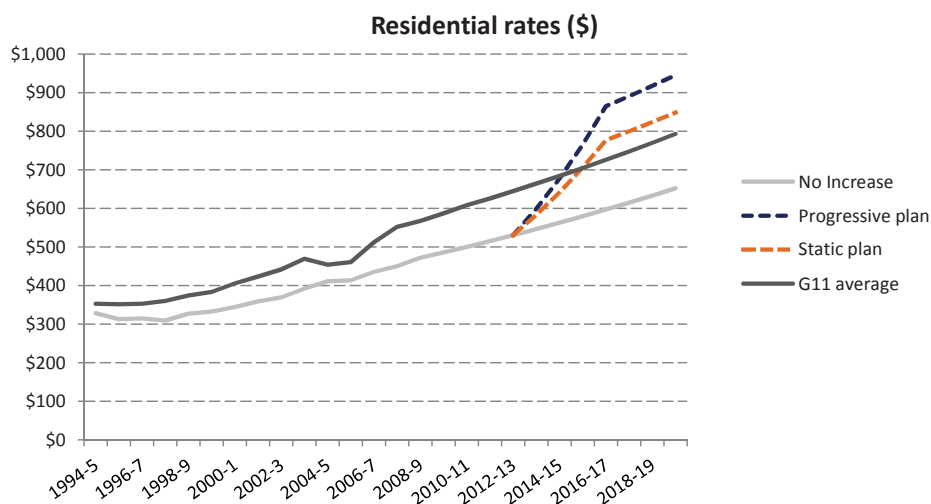
It appears that the proposed rate increases would not unduly affect business viability, because:

- In the case of farm businesses, the implementation of the static or progressive plans will result in the rates/farm value added ratio rising by 0.62 percentage points and 1.01 percentage points respectively in Scenario 2. However, in Scenario 1, the rates/farm value added ratio will rise by 2.36 and 2.95 percentage points under the static and progressive plans respectively.
- Even under the “no special rate variation” scenario, rates/value added ratio will increase by over 1%, because the assumption is made that agricultural value added is stagnant.
- In the case of non-farm businesses, following implementation of the static or progressive plans, the rates/business value added ratio will rise by 0.042 percentage points or 0.065 percentage points respectively.

REPORT ON PROPOSED SPECIAL RATES VARIATION

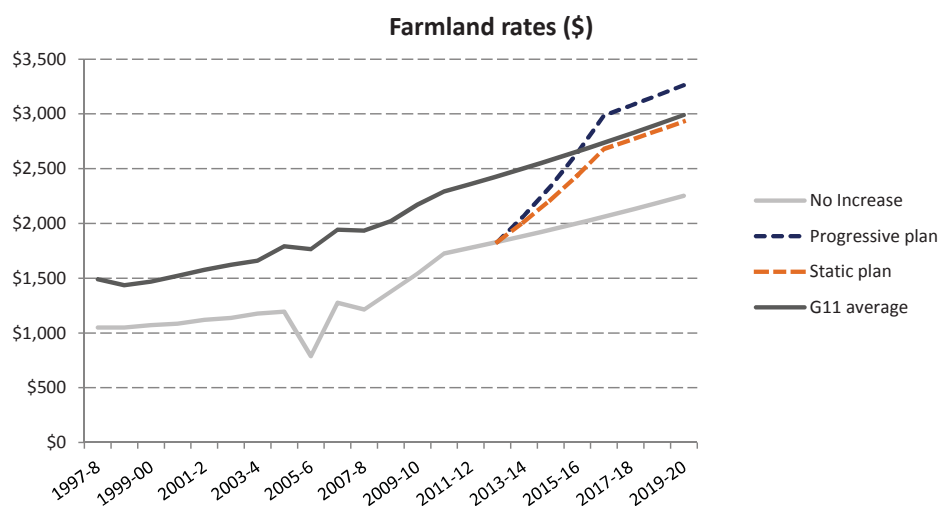
3.3 Parkes Shire Council and its peers

Over the ten year period from 1994 to 2012-13 Parkes Shire residential rates have been consistently lower than 'Group-11' average rates. If no rates increase is implemented, this trend is likely to continue. If Parkes Shire implements the static plan, while rates in all other councils in 'Group 11' move in line with inflation (i.e. grow at 3% per annum), Parkes shire residential rates will exceed the 'Group 11' average in the financial year 2015-16. Under the progressive plan this will happen 1-2 years earlier.



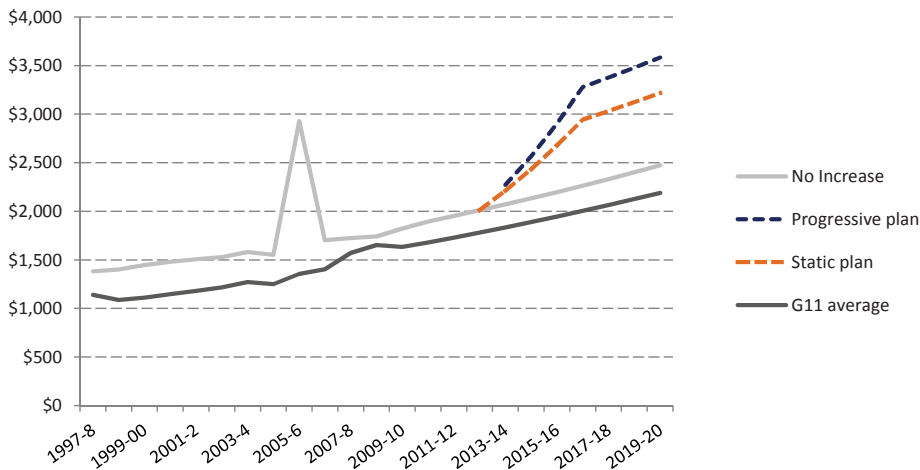
Note. Rates in all other councils are assumed to move only in line with inflation.

The level of farmland rates in Parkes Shire has also been lower than in 'Group 11'. However, if either the static or progressive plans are implemented the Parkes Shire rates will break through the 'Group 11' average in the first year.



Note. Rates in all other councils are assumed to move only in line with inflation.

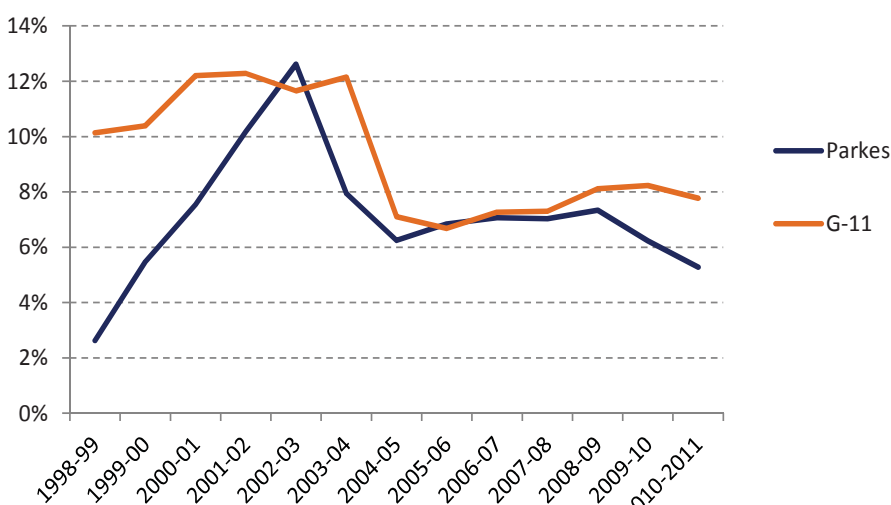
Business rates (\$)



The business rates in Parkes Shire have exceeded the 'Group 11' average over the past 10 years. Indeed in 2005-06 they were 3-4 times higher than the 'Group 11' average level. Under the static and progressive plans, the Parkes Shire business rates will be 1.57 and 1.74 times higher than the 'Group 11' average in 2016-17 respectively.

Note. Rates in all other councils are assumed to move only in line with inflation.

Outstanding rates



The ratio of outstanding rates to the total rates collected in Parkes Shire has never exceeded the 'Group 11' average, except in financial year 2002-03, and was below 10% in the past six years, pointing to the ability by the Parkes Shire community to pay the rates. The ratio is likely to increase once the static or progressive plans are implemented; the magnitude of the increase cannot be known in advance.

Note. Rates in all other councils are assumed to move only in line with inflation.

REPORT ON PROPOSED SPECIAL RATES VARIATION

As shown in Table 5 (d), Parkes Shire Council was ranked favourably relative to its peers in terms of the level of various types of rates. Out of 152 councils in the NSW, it had 45th lowest residential rates, 48th lowest farmland rates, 71st lowest business rates and 57th lowest outstanding rates. The similar pattern is observed, when Parkes Shire is compared to 'Group 11' and 'Group 10'.

Regarding the affordability of the proposed rates' increase and associated socio-economic standing, Parkes Shire was ranked well in terms of average personal incomes, but not very well in terms of socio-economic advantage/disadvantage. Its SEIFA advantage/disadvantage ranking was 28th lowest in the state, pointing to socio-economic issues in Parkes LGA. However, the average personal income of Parkes Shire wage and salary earners was close to the state median, while the income of its superannuation and annuity earners was above the median. In a similar vein, Parkes Shire reported the 3rd lowest land values in the wheat properties category among 17 regional NSW councils, the 9th lowest land values in inland cities and the 4th lowest land values in the retail shop sites category. The cumulative growth of land values in Parkes Shire was negative in the retail shop sites category (11th lowest cumulative increase) and nil in the wheat properties category (3rd lowest change).

Ranking of Parkes Shire Council relative to peers (lowest of the sample)

Table 5a. Average personal income (2008-09)

	Sample	Wage and salary earners	Own unincorporated businesses	Investment income earners	Superannuation/annuity earners	Other	Total
NSW	n=152	78	67	23	101	6	64
G-11	n=21*	15	15	3	16	2	11
G-10 & G-11	n=46**	36	38	4	37	5	30

Note. * and ** relate to 2008-09 period

Table 5b. SEIFA (2006)

	Sample	Advantage/disadvantage index	Disadvantage index	Economic resources index	Educational attainment index
NSW	n=152	28	32	15	23
G-11	n=21*	6	6	3	6

Note. * relates to 2009-10 period

Table 5c. Land Values

	Wheat properties	Single dwelling sites (inland cities)	Retail shop sites (towns & cities)
Sample	n=17	n=36	n=32
2011 values	3	9	4
% cumulative (2006-11)	3*	31**	11***

Note. * Cumulative growth was 0%; ** cumulative growth was 35.27%; *** cumulative growth was -0.855%

Table 5d. Council rates (2010-11)

	Sample	Residential	Farmland	Business	Outstanding
NSW	n=152	45	48	71	57
G-11	n=19*	5	7	13	3
G10-11	n=46**	19	16	37	7

Note. * relates to 2009-10 period

REPORT ON PROPOSED SPECIAL RATES VARIATION

Assuming that no other councils in NSW attempt to increase their rates during 2013-17, Parkes Shire will be ranked 83rd lowest in NSW in terms of residential rates (out of 152 councils), 121st lowest in terms of farmland rates, and 98th lowest in terms of business rates in 2016-17. Within a narrow set of peers, Parkes Shire will not have the highest rates after either static or progressive plans implementation. For instance, its residential rates will be 15th lowest (equivalently 5th highest) out of 20 councils in 'Group 11', with Narrabri, Bellingen, Palerang and Moree Plains having higher rates.

Dynamics of Parkes Shire Council rankings of rates

Table 6a. Progressive plan (NSW Peers)

	Sample	Residential	Farmland	Business
2012-13	n=152	45	48	71
2013-14	n=152	52	88	75
2014-15	n=152	62	102	81
2015-16	n=152	72	115	91
2016-17	n=152	83	121	98

Table 6b. Progressive plan (G-11 Peers)

	Sample	Residential	Farmland	Business
2012-13	n=20	5	7	13
2013-14	n=20	6	10	13
2014-15	n=20	9	11	13
2015-16	n=20	11	13	15
2016-17	n=20	15*	14**	16***

Notes.

* Councils with higher rates are Narrabri, Bellingen, Palerang and Moree Plains

** Councils with higher rates are Upper Hunter, Narrabri, Leeton, Gunnedah, Moree Plains

*** Councils with higher rates are Inverell, Gunnedah and Cooma-Monaro

Table 6c. Progressive plan (G-10 & G-11 Peers)

	Sample	Residential	Farmland	Business
2012-13	n=46	19	16	37
2013-14	n=46	25	22	37
2014-15	n=46	31	25	37
2015-16	n=46	36	30	40
2016-17	n=46	41*	32**	41***

Note.

* Councils with higher rates are Narrabri, Bellingen, Palerang and Moree Plains

** Councils with higher rates are Upper Hunter, Gloucester, Wellington, Narrandera, Narromine, Narrabri, Leeto Gunnedah, Uralla, Liverpool, Walgett, Gwydir and Moree Plains.

*** Councils with higher rates are Inverell, Gunnedah, Cooma-Monaro and Wellington

The proposed changes do not unduly alter Parkes Shire's position in relation to its peers because:

- Prior to implementation of either the static or progressive plan, Parkes Shire Council rates were below the median of its NSW peers, while average personal income was above the median. Following implementation of the plans, the former will be brought in line with the latter.
- The SEIFA ranking is low but policies are in place (monetary compensation for pensioners and hardship policies for other disadvantaged groups) to address socio-economic disadvantage issues.

REPORT ON PROPOSED SPECIAL RATES VARIATION

4. CONCLUSION

The proposed special rate increases were assessed in terms of rates' movement in line with other costs and prices; in terms of the impact of rates' increases on household expenditure and business viability; and in terms of consistency of rates' increases with Parkes Shire rankings. The summary results of the assessment are:

- Price comparisons (households) - under both the static and progressive plans rates increases do not exceed the past and anticipated price increases of the services most closely aligned to local government services. These services include utilities and child care with local government itself usually providing water and some child care services. The static rate increase does not even exceed the price increases of services in general over the relevant period.
- Price comparisons (farm and non-farm business) - except for input prices to electricity and rail freight, even the static rate increase exceeds the past and anticipated input price and wage increases over the relevant period.
- Impact (households) - rates represent less than 1 per cent of the household expenditure of 80 per cent of Parkes households so that even with the 64 per cent rate increase of the progressive plan implementation, rates remain below 1 per cent of household expenditure and the increase represents less than one percentage point of household expenditure.
- Impact (farm and nonfarm businesses) - overall the impact is relatively small on non –farm business with rates representing less than 1 per cent of value added. Even with the progressive plan implementation, rates will increase by less than 1 percentage point of value added. Therefore the impact of even the progressive rate increase is insignificant for non-farm business. However rates are more significant for farm businesses representing up to 4 per cent of value added in Scenario 2 (growing agriculture) and up to 6 per cent of value added in Scenario 1 (stagnating agriculture) and hence, so too is any rate increase. Nevertheless concern about this impact should be mitigated to some extent because the significance of rate increase for farm businesses is in part due to the growing number of hobby farms. In addition, the assumption of stagnating agricultural value added may be less plausible than the assumption of growing agriculture, and hence the impact of the rates increase in Scenario 1 may be indeed overstated.
- Comparison with peers - The average household incomes of Parkes is just above the median income of Group 10 and 11 LGAs while its current rates are well below the median for Group 10 and Group 11 LGAs. Under the progressive rate increase Parkes rates would rise just above the median for these 2 groups of councils. By itself this would suggest that the progressive rate increase is consistent with Parkes' peers. However Parkes is well below the median of these councils in terms of the SEIFA index. This suggests that Parkes has a relatively large proportion of relatively disadvantaged households. This issue is addressed through Council monetary rebates and hardship policies.
- In summary, even the rates increases under the progressive plan pass most of the tests for reasonableness. Both the static and progressive plans result in rates increase exceeding the rise of input costs for businesses. For non-farm businesses the rates as a percentage of value added is less than 1 per cent, suggesting that the impact is low. However, for farm businesses, the rates/value added ratio is higher due to the growing number of 'hobby farms'. This overstates the real impact of rates on farm businesses. Additionally, Parkes Shire has low SEIFA ranking, suggesting significant disadvantage of certain population groups. This disadvantage is countered by monetary compensation and policy action that are included in both plans. Overall, even the progressive plan broadly satisfies reasonableness test.

APPENDIX 1: TECHNICAL NOTES

1. Costs of residents

The costs incurred by Parkes Shire residents over 2008-12 period (Table 1) are based on cumulative percentage changes of the consumer price index (CPI) for relevant sub-groups and expenditure classes over September 2008 – September 2012 period in eight capital cities.¹ WRI notes that the ABS does not construct regional CPI indices, as price movements in regional areas are not significantly different from those in metropolitan areas.² WRI also takes into account that Sydney prices across a wide range of expenditure items are above the national average, and therefore can substantially distort comparison of council rates and costs. Based on this, the weighted average capital cities CPI has been selected as the best approximation of Parkes Shire cost increases.

2. Costs of farm and non-farm businesses

WRI first examined the Parkes industrial profile and identified the major industries. It then compared proposed farmland and business rates' increases with cumulative percentage changes in either input or output prices for the respective industries in the Parkes Shire. For some industries (building and road and bridge construction), no input price indices were available and therefore output prices are used for comparison. For the house construction industry, the Sydney input price index was used as a proxy. As in the case of residents' cost, it is assumed that growth in production costs and output over the implementation period (2013-17) will not deviate from the growth in 2008-12.³ Also, wage price indices for the industries in question were used as a proxy for labour costs to complement producer price data. The wage price index data is available at a national level.⁴

3. Household expenditure

The procedure for extracting Parkes Shire expenditure data is as follows.

- Firstly, the average weekly expenditure data for NSW households is obtained from the ABS Household Expenditure Survey, 2009-10.⁵ The numbers are inflated by the cumulative growth in disposable income factor for the relevant period (September 2010 – June 2012) in order to obtain 2012 data. The disposable income series are contained in the Reserve Bank of Australia statistical database.⁶ The 2009-10 numbers are also inflated by the CPI growth for each individual expenditure item during 2010-12. Due to the double-speed nature of the Australian economy, the CPI growth rates (and growth in individual expenditure items) are not uniform.
- Secondly, the average weekly expenditure data for Parkes household is obtained. The assumption is made that Parkes' household expenditure is smaller than NSW household expenditure in the same proportion as Parkes' personal income is smaller than NSW personal income, i.e. the savings patterns in Parkes and NSW as a whole are similar. The average household size in Parkes and NSW in general is similar.
- Thirdly, the average weekly expenditure (total, as well as individual items) for Parkes is calculated in each of the years between 2013 and 2017 (corresponding to the Parkes Shire Council plans implementation

1 The raw data is obtained from Australian Bureau of Statistics. Table 11. CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City. ABS Cat. No. 6401.0.

2 Australian Bureau of Statistics (2010) Outcome of the 16th Series Australian Consumer Price Index Review. ABS Cat. No. 6469.0.

3 The raw data is obtained from Australian Bureau of Statistics. Tables 12-13, 17, 18-20. Producer Price Indexes. ABS Cat. No. 6427.0.

4 The raw data is obtained from Australian Bureau of Statistics. Table 5b. Total Hourly Rates of Pay Excluding Bonuses: Sector by Industry, Original. ABS Cat. No. 6345.0.

5 Australian Bureau of Statistics (2011) Household Expenditure Survey, Australia: Summary of Results, 2009-10. ABS Cat. No. 6530.0 (NSW Data Tables, Tables 5, 9 and 11).

6 Reserve Bank of Australia. Statistical Tables: Gross Domestic Product, Income Components – G12. Available at <http://www.rba.gov.au/statistics/tables/index.html>.

timeframe). The 2012 figures are inflated by the expected growth in the disposable income (commensurate with the long term growth of Australian economy) and CPI growth rates, unique for each expenditure item. Residential rates are allowed to grow according to static and progressive plans, i.e. 10% and 13% per annum.

- As a final step, the new level of residential rates in 2017 is compared to the new level of household expenditure, and an assessment is made as to the ability of the Parkes residents to bear the new rates.

4. Farm and non-farm businesses viability

For the Parkes agricultural sector, the relationship between proposed farmland rates and future farm output is estimated as follows. The value added of the agricultural sector is extracted from ABS input-output tables and other sources.⁷ The most recent figure is available for 2009-10, equal to \$54.68 mln. The number of farms is obtained from the NSW Division of Local Government publications (1414 farms).⁸ The average value added per farm is then calculated for 2009-10 (\$38,670). The number of farms in 2013-2017 is assumed to follow a long term trend, with an annual increase of 0.51%. The future value of Parkes agricultural value added (inflated by CPI growth factor of 3% per annum) is calculated under two scenarios. In Scenario 1 the value of agricultural output is assumed to fluctuate around the 5-year mean. WRI assumes it is reasonable, as in the past 5 years the value of NSW agricultural value added was volatile and fluctuated in the range between \$10.7 bln and \$14.5 bln. In Scenario 2 the value of agricultural output is assumed to follow a long-term upward trend, with an average annual increase of 2.19%.⁹ As a result, two equally probable estimates of farmland rates/average value added ratios are calculated.

The procedure is essentially the same for the non-farm businesses. The number of businesses in 2013-17 is assumed to follow a long term trend, with 1.44% increase in the number of businesses per annum. The non-farm value added is allowed to increase in line with the NSW gross state product.

5. Parkes Shire Council and its peers

In terms of average personal income, socio-economic standing and the level of rates, Parkes Shire is compared to both 'Group-11' and 'Group-10' peers, due to the frequent movement of some of the councils from one group to the other in the past. The average personal income data is sourced from the ABS.¹⁰ The socio-economic data is taken from the Socio-Economic Indexes for Areas (SEIFA) survey conducted by the ABS, and includes four indexes – Index of Relative Socio-Economic Disadvantage, Index of Relative Socio-Economic Advantage and Disadvantage, Index of Economic Resources and Index of Education and Occupation.¹¹ The historical council rates are obtained from the NSW Division of Local Government.¹² The land values are obtained from the NSW Land and Property Information.¹³

7 Regional Development Australia - Central West (2011) RDA Central West and Centroc Regional Economic Profile. Final Report prepared by AEC Group Limited.

8 Division of Local Government, Department of Premier and Cabinet. Comparative Information on NSW Local Government Councils, 2009-10.

9 The long term trend is linear and is estimated by ordinary least squares, with natural logarithm of the respective variable (number of farms, or value of output) regressed against time.

10 Australian Bureau of Statistics (2011) Estimates of Personal Income for Small Areas, Time Series, 2009-10. ABS Cat. No. 6524.0.55.002 (NSW, Table 1).

11 Australian Bureau of Statistics (2008) Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA). ABS Cat. No. 2033.0.55.001 (Local Government Areas, Tables 2-5).

12 Division of Local Government, Department of Premier and Cabinet. Comparative Information on NSW Local Government Councils, 2009-10.

13 NSW Land and Property. NSW Land Values, Tables 3, 6 and 13. Available at http://www.lpi.nsw.gov.au/valuation/nsw_land_values

WESTERN RESEARCH INSTITUTE

WRI is a regional development research organisation located in Bathurst, New South Wales. WRI holds a wealth of knowledge on employment, business development and investment issues affecting regional Australia. It has worked with Commonwealth, State and Local Governments and industry groups on numerous investment and development programs in regional areas. WRI has strong credentials in business and commercial market consulting and applied economic modelling including input-output analysis, shift-share, agribusiness and regional socio-economic surveys and analysis.

Mr Tom Murphy – Chief Executive Officer

BEd. (Hons I) MSc. (Econ) Lancaster

Tom is currently Chief Executive Officer of WRI and has held this position since its inception in February 1999. Under Tom's leadership WRI has completed over 300 projects for all levels of government and government departments, industry groups, businesses, financial institutions, regional development boards and community groups, and educational institutions including universities, TAFE and schools in NSW, Victoria and Queensland.

Tom has previously held academic positions as senior lecturer in Economics and Director of the Regional Economics Research Unit in the Faculty of Commerce, CSU, Bathurst and positions at the University of New England and Macquarie University. He has also held the positions of Economic Analyst with the Office of National Assessments in Canberra, with responsibility for the ASEAN economies and Senior Consultant with KPMG Peat Marwick Management Consultants.

Tom's particular expertise is in regional economics and labour markets, and he has published in a wide range of economic subject areas in refereed and non-refereed articles, books and textbooks. Tom has a high local media profile in Western NSW for economic and social commentary and also features regularly on national radio.

Ms Danielle Ranshaw – Senior Research Officer

BEd&Fin NSW

Danielle's experience in project management in the information technology sector combined with qualifications in economics and finance provides a solid background for WRI projects. With skills in systems design and development, Danielle has been able to extend WRI's capability in developing robust and increasingly complex systems to support research fieldwork. Additionally, Danielle has extensive experience in business process analysis, performance planning and review, report writing and project planning.

Dr. Ivan Trofimov - Research Officer

MA (Auckland) MEcST (UNE) PHD (Macquarie)

Ivan is an economic and public policy analyst and brings experience in macroeconomics and international trade to WRI projects. Prior to joining WRI, he worked in corporate advisory firms, focusing on economic research and evaluation of corporate governance practices, and in a peak industry body, responsible for pharmaceutical policy formulation in Australia. He was also involved in consulting projects for the Commonwealth Secretariat, APEC Research Centre (New Zealand) and Pacific Islands Trade and Investment Commission. Ivan holds a PhD in Applied Economics from Macquarie University, and master degrees in agricultural and development economics from the University of New England and University of Auckland. He has published several papers in international economic journals.

Ms Rebecca Hood - Research Officer

BBus (Fin/Acc) With Distinction CSU

After working in the Financial Services Industry for several years coupled with a degree in Finance and Accounting from Charles Sturt University, Rebecca brings strong skills in finance, economics, business and accounting to WRI projects. Rebecca's extensive experience in the finance field and her high level understanding of current market knowledge gives Rebecca a solid understanding of the financial needs of regional and rural Australia. Having prior experience with local councils and retail, Rebecca also brings a robust understanding of the needs of regional businesses in our local economy to her role at WRI

Ms Dale Curran – Executive Officer

BA ANU

Dale is responsible for all administrative processes at WRI including executive support, finance, management of the Board of Directors and maintenance of policies. She has worked in a variety of roles at WRI, including Fieldwork Supervisor and Research Assistant, and has worked on several community and business surveys. Dale brings a high level of organisational skill to her role as Executive Officer.





Annexure 3.c

Parkes Shire Council Ordinary Meeting Minutes

18 December 2012

Resolution 12-594



Subject: (GM) Report Regarding Reasonableness of Proposed Special Rate Variation

Executive Summary

Council has notified the Independent Pricing and Regulatory Tribunal (IPART) of its "intent" to make a Special Rate Variation application by the 15th of March 2013. Council commissioned the Western Research Institute (WRI) to examine the reasonableness of the proposed rate variations under the Static and Progressive Delivery Program models. WRI has now published their report and subsequent conclusions.

Background Information

See report.

Legislative or Policy Implications

Special Rate Variation under Section 508A of the Local Government Act 1993.

Integrated Planning and Reporting Requirements under Section 402 Local Government Act 1993.



Delivery Plan (Strategic Objective) Implications



The resolution in this report will primarily effect the Delivery Plan Future Direction relating to:
The entire Delivery Plan

Predicted positive effect / opportunity for the Delivery Plan: *Excellent*

Predicted negative / challenge to the Delivery Plan: *Low*

Quadruple Bottom Line

 *Economic* ★★★★★
 *Social* ★★★★★

 *Environmental* ★★★★★
 *Civic Leadership* ★★★★★

Budget & Financial Aspects

Nil

Recommendation

1. That the Western Research Institute report examining the reasonableness of the proposed Special Rate Variation be received and noted.
2. That existing policies are reviewed for the next meeting of Council to ensure adequate provisions are included for hardship and the voluntary rebates proposed in the Progressive and Static Delivery Programs.

Report

Council has been preparing for the next round of Integrated Planning and Reporting encompassing its Delivery Program for 2013/14 to 2016/17. In consultation with the Parkes Shire Community, Council has developed three resourcing scenarios for the proposed Delivery Program being; Current Situation, Static Delivery Program and the Progressive Delivery Program. If proceeding with either the Static or Progressive Delivery Programs where to be adopted, Council would be required to submit an application to the New South Wales Independent Pricing and Regulatory Tribunal (IPART) under Section 508A of the Local Government Act 1993. On the 7th of December Council formally notified IPART of its "intent" to make a Special Rate Variation application by the 15th of March 2013.

Council has subsequently commissioned the Western Research Institute (WRI) to examine the reasonableness of the proposed rate variations under the Static and Progressive Delivery Program models. WRI considered three main criteria in their methodology being; Price Comparisons (other goods usually purchased), Impact (on incomes), and Peer Comparisons (other Councils). The report also considers the impacts on those possibly less advantaged using what is termed the "Socio-Economic Indexes for Areas" (SEIFA) ranking, which is a measure compiled by the Australian Bureau of Statistics.

Socio-Economic Indexes for Areas (SEIFA) as defined by the Australian Bureau of Statistics

SEIFA is a suite of four summary measures that have been created from Census information. The indexes can be used to explore different aspects of socio-economic conditions by geographic areas. For each index, every geographic area in Australia is given a SEIFA number which shows how disadvantaged that area is compared with other areas in Australia.

Each index summarises a different aspect of the socio-economic conditions of people living in an area. They each summarise a different set of social and economic information. The indexes provide more general measures of socio-economic status than is given by measuring income or unemployment alone, for example.

The four indexes in SEIFA are:

- **Index of Relative Socio-economic Disadvantage:** is derived from Census variables related to disadvantage, such as low income, low educational attainment, unemployment, and dwellings without motor vehicles.
- **Index of Relative Socio-economic Advantage and Disadvantage:** a continuum of advantage (high values) to disadvantage (low values) which is derived from Census variables related to both advantage and disadvantage, like household with low income and people with a tertiary education.
- **Index of Economic Resources:** focuses on Census variables like the income, housing expenditure and assets of households.
- **Index of Education and Occupation:** includes Census variables relating to the educational and occupational characteristics of communities, like the proportion of people with a higher qualification or those employed in a skilled occupation.

The concept of relative socio-economic disadvantage is neither simple, nor well defined. SEIFA uses a broad definition of relative socio-economic disadvantage in terms people's access to material and social resources, and their ability to participate in society. While SEIFA represents an average of all people living in an area, SEIFA does not represent the

individual situation of each person. Larger areas are more likely to have greater diversity of people and households. (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/2039.0/>)

Report Conclusions

The reports conclusions regarding the three criteria set are outlined below, the full WRI report including the methodology, analysis and technical notes is provided as an attachment to this report.

Price Comparisons

Price comparisons (households) - under both the static and progressive plans rates increases do not exceed the past and anticipated price increases of the services most closely aligned to local government services. These services include utilities and child care with local government itself usually providing water and some child care services. The static rate increase does not even exceed the price increases of services in general over the relevant period.

Price comparisons (farm and non-farm business) - except for input prices to electricity and rail freight, even the static rate increase exceeds the past and anticipated input price and wage increases over the relevant period.

Impact

Impact (households) - rates represent less than 1 per cent of the household expenditure of 80 per cent of Parkes households so that even with the 64 per cent rate increase of the progressive plan implementation, rates remain below 1 per cent of household expenditure and the increase represents less than one percentage point of household expenditure.

Impact (farm and nonfarm businesses) - overall the impact is relatively small on non –farm business with rates representing less than 1 per cent of value added. Even with the progressive plan implementation, rates will increase by less than 1 percentage point of value added. Therefore the impact of even the progressive rate increase is insignificant for non-farm business. However rates are more significant for farm businesses representing up to 4 per cent of value added in Scenario 2 (growing agriculture) and up to 6 per cent of value added in Scenario 1 (stagnating agriculture) and hence, so too is any rate increase. Nevertheless concern about this impact should be mitigated to some extent because the significance of rate increase for farm businesses is in part due to the growing number of hobby farms. In addition, the assumption of stagnating agricultural value added may be less plausible than the assumption of growing agriculture, and hence the impact of the rates increase in Scenario 1 may be indeed overstated.

Comparison with peers

Comparison with peers - The average household incomes of Parkes is just above the median income of Group 10 and 11 LGAs while its current rates are well below the median for Group 10 and Group 11 LGAs. Under the progressive rate increase Parkes rates would rise just above the median for these 2 groups of councils. By itself this would suggest that the progressive rate increase is consistent with Parkes' peers. However Parkes is well below the median of these councils in terms of the SEIFA index. This suggests that Parkes has a relatively large proportion of relatively disadvantaged households. This issue is addressed through Council monetary rebates and hardship policies.

Overall Conclusion

In summary, even the rates increases under the progressive plan pass most of the tests for reasonableness. Both the static and progressive plans result in rate increase exceeding the rise of input costs for businesses. For non-farm businesses the rates as a percentage of value added is less than 1 per cent, suggesting that the impact is low. However, for farm businesses, the rates/value added ratio is higher due to the growing number of 'hobby farms'. This overstates the real impact of rates on farm businesses. Additionally, Parkes Shire has low SEIFA ranking, suggesting significant disadvantage of certain population groups. This disadvantage is countered by monetary compensation and policy action that are included in both plans. Overall, even the progressive plan broadly satisfies reasonableness test.

Hardship Provisions

Various provisions are include in Councils "Pensioner Rebate Policy" and "Rates and Charges Recovery Policy" in relation to payment of rates. Additionally the Progressive and Static Delivery Programs both include a voluntary pensioner rebate.

It is therefore considered necessary to review current policies to ensure provisions are included to give effect to the voluntary pensioner rebates identified in the Progressive and Static Delivery Programs and given the findings of the WRI report it is also considered important to ensure adequate provisions are included for hardship.

Attachments

1. Report on Proposed Special Rates Variation For Parkes Shire Council, Western Research Institute 13th December 2012.

10 GENERAL MANAGER'S REPORT

10.1 (GM) Report Regarding Reasonableness of Proposed Special Rate Variation

Executive Summary

Council has notified the Independent Pricing and Regulatory Tribunal (IPART) of its "intent" to make a Special Rate Variation application by the 15th of March 2013. Council commissioned the Western Research Institute (WRI) to examine the reasonableness of the proposed rate variations under the Static and Progressive Delivery Program models. WRI has now published their report and subsequent conclusions.

Recommendation

1. That the Western Research Institute report examining the reasonableness of the proposed Special Rate Variation be received and noted.
2. That existing policies are reviewed for the next meeting of Council to ensure adequate provisions are included for hardship and the voluntary rebates proposed in the Progressive and Static Delivery Programs.

12 - 594 Resolution

That the recommendations be adopted.

Moved Councillor Pat Smith, seconded Councillor Barbara Newton.

CARRIED

Annexure 3.d

**Western Research Institute Ltd
Clarification to Report on Proposed
Special Rates Variation**

CLARIFICATION TO REPORT ON PROPOSED SPECIAL RATES VARIATION

For Parkes Shire Council

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Prepared for Parkes Shire Council

4th March 2013

13002/ Parkes Clarification/Report

EXECUTIVE SUMMARY

Under all production scenarios, commodities and time periods, the average rates/value added ratio is lower when hobby farms are excluded from the calculation.

Some of the commodities have higher/lower yields than other grain commodities (e.g. oats that on average have lower yields), and this affects the relative value added, rates/value added ratio and the proportion of hobby farms.

Once hobby farms are excluded from calculations, the rates appear affordable for most of the farms (except for farms growing low yield commodities) even if the progressive plan is implemented.

For most of the commodities and production scenarios for Parkes the proportion of hobby farms stood at 17.75% of the total number of farms.

Rates/land value ratios were insignificant for all plans, devised by Parkes Shire Council and all types of farms.

INTRODUCTION

This report addresses certain concerns raised by owners of farming businesses in response to the paper submitted by the Western Research Institute (WRI) to the Parkes Shire Council – *Report on Proposed Special Rates Variation (December 2012)*. In particular, the Parkes Shire Council was asked to clarify the impact of hobby farms and production conditions on Parkes Shire agriculture (stagnating versus growing agriculture) on the results, presented in the December 2012 report.¹ The owners of farming businesses doubted that these two aspects were taken into the account in the December 2012 report and therefore the results (specifically rates/value added ratio that measures the appropriateness of rates increase on Parkes Shire farmers) might have appeared overstated.

In addressing these concerns, WRI examined three issues:

- The relationship between agricultural yields as a proxy for production conditions and the rates/value added ratio
- The proportion of hobby farms in Parkes Shire and the impact of hobby farms on rates/value added ratio²
- The relationship between land value and current and future farmland rates for farms of different sizes

Similarly to the December 2012 report, the analysis is performed with the reference to the static and progressive plans proposed by the Parkes Shire Council to increase farmland rates.

METHODOLOGY

WRI adopted a methodological approach consisting of the following steps:

- Based on the literature review, WRI examined the farm production structure in Parkes Shire and determined the principal commodities produced. WRI assumed that each farm produces only one agricultural commodity. While this may not always be realistic, this assumption must be made as no information on production patterns of individual farms is available. For analysis purposes, the cases presented in this report depict situations where all farms produce the same commodity.
- To address the issue of agricultural conditions (growing/stagnating/average), WRI assumed that agricultural yield is a good proxy for agricultural conditions. The data on yields covered 2005-2011.³ The yields data for livestock, fibre and horticultural commodities was not analysed due to the complexities of calculating production figures, converting them into monetary terms and greater variety of possible commodities. WRI classified yields and agricultural conditions into 3 categories. The average yield over this period was a proxy for average conditions in Parkes agriculture, the maximum yield was a proxy for growing agriculture, and minimum yield a proxy for stagnating agriculture. In the calculations of value added over 2012-2017 period (plans' implementation periods)

¹ Without undertaking complex forecasting process it is impossible to determine the likelihood of either stagnating or improving agricultural production. Hence, two scenarios are included in this and December 2012 reports.

² Specific treatment of hobby farms was not an object of the original study (December 2012 report)

³ Department of Agriculture, Fisheries and Forestry, ABARES. *Agricultural Commodity Statistics*, 2012, Tables 25, 166, 201.

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION

- WRI assumed that either of these 3 yields will persist for the whole period (e.g. minimum yield every year under stagnation scenario). The value added was calculated as Yield x Price x Area planted. The average prices were assumed,⁴ and it was assumed that each farmer plants all its area (e.g. if farm size is 7 hectares, all 7 hectares are planted).
- The total value added was calculated for each commodity (farm producing commodity), 3 agricultural growth scenarios, and 4 points in time – a) rates/value added in 2012 prior to plans' implementation; b) rates/value added in 2016-17 assuming no rates increase, but inflation of 3%; c) rates/value added in 2016-17 following static plan; and d) rates/value added in 2016-17 following progressive plan.
- Once the value added for each commodity and scenario was known, WRI could calculate rates/value added ratio for all farms, for hobby farms only, and for all farms minus hobby farms. This step is crucial, as it directly addresses the concerns raised by the farmers about the ambiguousness of results presented in the December 2012 report that calculated rates/value added ratio for all farms including hobby farms.
- WRI calculated the proportion of hobby farms in Parkes for individual commodity farms and agricultural production scenarios.
- As a final step, the total of all farms in Parkes Shire is broken into several categories based on the farms size and the current and future rates/land value ratio is calculated for each size category. This step is essential, since land values do not necessarily positively correlate with the farm size, and calculation of rates/land value ratio for all farms may be misleading.

Definitions

Hobby farms

At present, there is no standard definition of hobby, retirement and lifestyle farms. The best available definition is provided by the Australian Bureau of Statistics (ABS).

Australian Bureau of Statistics (ABS) classifies farms according to their size, proportion of off-farm income and estimated value of agricultural operations (EVAO). Small lifestyle farms are those that have size of 2-100 hectares, derive most of the income from off-farm sources and that have EVAO less than \$75,000 a year. Sub-commercial farms are defined as farm establishments with some agricultural activities, but with EVAO of less than \$22,500 a year.

Value added

Value added is defined as total agricultural output (quantity produced multiplied by price and by the area planted) minus the value of intermediate inputs (inputs used in the production process).

⁴ Department of Agriculture, Fisheries and Forestry, ABARES, *ibid*, Tables 34, 170, 204, 209.

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION

RESULTS

WRI established that farm production structure in Parkes Shire is diversified, with a very large proportion of grain production. Hence the following commodities were selected for the analysis – barley, oilseeds, grain sorghum, maize, oats, wheat (including feed wheat) and triticale.

The rates as a proportion of value added are presented in Table 1. The results are given for the above mentioned commodities, agricultural production scenarios, types of the farms, as well as time periods. The proportion of hobby farms in the total number of farms in Parkes Shire is presented in Table 2. Only those farms that satisfied both ABS criteria (farms producing less than \$75,000 from agricultural operations and having the size smaller than 100 hectares) were considered as hobby farms. The rates as a proportion of land value are presented in Table 3. The results are provided for farms of different sizes (including hobby farms) as well as for different plans devised by Parkes Shire Council. In line with the data published by NSW Land and Property Information,⁵ the land value is assumed fixed over the plans' implementation period.

Table 1: Rates as a proportion of value added (%)

SITUATION AS OF 2012, PRIOR TO PLANS IMPLEMENTATION								
a) Usual growth of agriculture	Barley	Oilseeds	Sorghum	Maize	Oats	Wheat	Triticale	Feed wheat
All	2.68	1.77	1.17	0.39	4.43	2.27	2.17	2.35
Hobby farms	6.30	5.49	4.60	3.16	6.85	6.02	5.99	6.12
Excl hobby farms	1.12	0.76	0.51	0.19	1.81	0.96	0.92	0.99
b) Agricultural stagnation								
All	5.28	3.61	1.77	0.47	14.02	5.80	9.57	6.01
Hobby farms	7.31	6.43	5.48	3.36	14.60	7.64	10.52	7.83
Excl hobby farms	2.10	1.49	0.76	0.22	4.77	2.30	3.49	2.36
c) Maximum growth								
All	1.62	1.26	0.92	0.33	2.75	1.28	1.48	1.33
Hobby farms	5.51	4.80	4.37	2.76	6.38	4.87	5.26	4.95
Excl hobby farms	0.70	0.55	0.41	0.16	1.15	0.56	0.64	0.58

⁵ NSW Land and Property Information. NSW Land Values, Country Property Markets, Table 13, Wheat Properties.

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION

Table 1 continued.

2016/17 NO SPECIAL RATES VARIATION (RATES GROW IN LINE WITH INFLATION)								
a) Usual growth of agriculture	Barley	Oilseeds	Sorghum	Maize	Oats	Wheat	Triticale	Feed wheat
All	3.01	1.99	1.32	0.44	4.98	2.55	2.44	2.64
Hobby farms	7.10	6.18	5.18	3.56	7.71	6.78	6.74	6.89
Excl hobby farms	1.26	0.86	0.58	0.22	2.04	1.08	1.04	1.12
b) Agricultural stagnation								
All	5.94	4.06	1.99	0.53	15.78	6.53	10.77	6.76
Hobby farms	8.23	7.24	6.17	3.79	16.44	8.60	11.84	8.81
Excl hobby farms	2.37	1.68	0.85	0.25	5.36	2.59	3.92	2.66
c) Maximum growth								
All	1.82	1.42	1.04	0.38	3.09	1.45	1.67	1.50
Hobby farms	6.20	5.41	4.92	3.10	7.18	5.48	5.92	5.58
Excl hobby farms	0.79	0.62	0.46	0.19	1.29	0.63	0.72	0.65
2016/17 STATIC PLAN (10% INCREASE)								
a) Usual growth of agriculture	Barley	Oilseeds	Sorghum	Maize	Oats	Wheat	Triticale	Feed wheat
All	3.92	2.59	1.72	0.58	6.48	3.32	3.18	3.44
Hobby farms	9.23	8.04	6.74	4.63	10.03	8.82	8.77	8.96
Excl hobby farms	1.64	1.11	0.75	0.28	2.65	1.40	1.35	1.45
b) Agricultural stagnation								
All	7.73	5.29	2.59	0.69	20.53	8.49	14.00	8.80
Hobby farms	10.71	9.42	8.03	4.93	21.38	11.19	15.40	11.46
Excl hobby farms	3.08	2.18	1.11	0.33	6.98	3.36	5.10	3.46
c) Maximum growth								
All	2.37	1.85	1.35	0.49	4.02	1.88	2.17	1.95
Hobby farms	8.07	7.03	6.40	4.04	9.34	7.13	7.70	7.25
Excl hobby farms	1.03	0.81	0.60	0.24	1.68	0.82	0.94	0.84
2016/17 PROGRESSIVE PLAN (13% INCREASE)								
a) Usual growth of agriculture	Barley	Oilseeds	Sorghum	Maize	Oats	Wheat	Triticale	Feed wheat
All	4.36	2.89	1.91	0.64	7.22	3.70	3.54	3.83
Hobby farms	10.28	8.95	7.51	5.16	11.18	9.82	9.77	9.98
Excl hobby farms	1.83	1.24	0.84	0.31	2.95	1.56	1.50	1.62
b) Agricultural stagnation								
All	8.61	5.89	2.88	0.76	22.87	9.46	15.60	9.80
Hobby farms	11.93	10.49	8.94	5.49	23.81	12.46	17.15	12.76
Excl hobby farms	3.43	2.43	1.24	0.36	7.77	3.75	5.68	3.85
c) Maximum growth								
All	2.64	2.06	1.51	0.55	4.48	2.09	2.41	2.17
Hobby farms	8.99	7.83	7.13	4.49	10.40	7.95	8.58	8.08
Excl hobby farms	1.14	0.90	0.67	0.27	1.87	0.91	1.04	0.94

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION

Table 2: Proportion of hobby farms for each commodity based on value added derived from agriculture and size of the farm (%)

BASED ON VALUE ADDED<\$75,000 AND SIZE<100HA CRITERIA								
Scenarios	Barley	Oilseeds	Sorghum	Maize	Oats	Wheat	Triticale	Feed wheat
Usual growth of agriculture	17.7	17.7	16.2	6.9	17.7	17.7	17.7	17.7
Agricultural stagnation	17.7	17.7	17.7	7.9	17.7	17.7	17.7	17.7
Maximum agricultural growth	17.7	16.8	13.1	6.6	17.7	16.9	17.7	17.3

Note. For analysis purposes, the table depicts situations where all farms produce the same commodity.

Table 3: Rates/land value ratio under different plans

AVERAGE RATES/AVERAGE LAND VALUE RATIO UNDER DIFFERENT PLANS				
Farm size	Prior to plan implementation	No special rates variation	Static plan	Progressive plan
1-100 hectares	0.53	0.60	0.78	0.87
101-200 hectares	0.48	0.54	0.70	0.78
201-500 hectares	0.48	0.54	0.70	0.78

The following patterns are evident:

- Under all production scenarios, commodities and time periods, the average rates/value added ratio is lower when hobby farms are excluded from calculation. These farms have smaller value added (due to smaller size) for given yield and price, and therefore their inclusion in the analysis will overstate the overall rates/value added ratio. In this respect the concern raised by the farmers is valid. Indeed, as shown in Table 1, for some hobby farms in certain scenarios and commodities, the rates/value added ratio is excessive, in many cases rising above 20%. Clearly, such rates can only be paid if off-farm sources of income are available to the farmer.
- Some of the commodities have higher/lower yields than other grain commodities (e.g. oats that on average have lower yields), and this affects the relative value added, rates/value added ratio and the proportion of farms that fall into below \$75,000 turnover bracket. While hobby farms rely heavily on an off-farm income, the decision as to which commodity to plant will nonetheless affect the rates/value added ratio and the rates “stress” experienced by the hobby farmer.
- Once hobby farms are excluded from calculations, the rates appear more affordable even if the progressive plan is implemented (i.e. if rates are increased by 13% every year between 2012/13 and 2016/17) under maximum growth scenario, and less so under stagnation scenario. For instance, under the progressive plan and the maximum growth scenario the rates/value added ratio will be as low as 0.27% for maize growing farms and 1.87% for oats growing farms, with average for all grains being 0.97%. Under the progressive plan and stagnation scenario, the rates/value added ratio will be 0.36% for maize growing farms, but 7.77% for oats growing farms. The average ratio across all commodities will be 3.56%. The decision which crop to plant will be crucial for the rates “burden” and the table presented should provide good guidance in this respect.

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION

- Regarding the proportion of hobby farms, there was an upper limit on the number of hobby farms (while there were farms that produced less than \$75,000 and having a size of over 100 hectares, these larger and less productive farms had to be reclassified as genuine farms in line with 'less than 100 hectare size' criterion by ABS). For most of the commodities and production scenarios the maximum number of hobby farms stood at 17.75% of the total number of farms. In this scenario, where maize is the commodity grown, the proportion of hobby farms stood at less than 8%.

With regard to rates/land value ratios, as expected these are less variable than rates/value added ratios. They are largely uniform for genuine farm businesses (i.e. farms over 100 hectare size). Their variation with regard to different rates' increase plans is not substantial. The ratios are slightly higher for hobby farms but not to the large extent. On balance, the ratios are less than 1% for all types of farms and all plans

Limitations and discrepancies

Simplifying assumptions were made solely when information was missing or when not making an assumption would require more complex calculations. At face value most of the assumptions appear reasonable.

- For instance, the assumption of average prices is justified, since an average farmer is a price-taker, not price-setter and since the link between agricultural conditions in Parkes and prices that Parkes Shire farmers receive is not straightforward and is complicated by external conditions (situation in international markets etc.).
- The assumption of all area planted by farmer is also justified, since one cannot know in advance how the farmer would react to climatic conditions and changed yields (i.e. whether he/she will expand production in response to low yields, or increase it).
- Finally, whilst WRI assumed that farmers plant the whole area, this does not contradict the ABS definition, since the farmer may plant all his/her area and still get most of his/her income from off-farm operations.

In the event there is a discrepancy in the rates/value added ratios in this report and the report WRI prepared in December, this is principally due to the different methodologies adopted. In the December report WRI used agricultural value added for NSW as a whole as a proxy for Parkes, whereas in the current report WRI used Parkes-specific data that Parkes Shire Council supplied (specifically the size of individual farms).

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION

WESTERN RESEARCH INSTITUTE

WRI is a regional development research organisation located in Bathurst, New South Wales. WRI holds a wealth of knowledge on employment, business development and investment issues affecting regional Australia. It has worked with Commonwealth, State and Local Governments and industry groups on numerous investment and development programs in regional areas. WRI has strong credentials in business and commercial market consulting and applied economic modelling including input-output analysis, shift-share, agribusiness and regional socio-economic surveys and analysis.

Dr. Andrew Johnson - Chief Executive Officer BA(Hons I) Newcastle, PHD (UWS)

Andrew Johnson has over 20 years' experience in research leadership with a strong focus on the resources and not for profit spheres.

Andrew has recently held the position of Director of Research Development at the University of Newcastle (UoN), Australia. During his 12 years, Andrew achieved a number of substantial outcomes including raising in excess of \$30 million in research funds to support a number of collaborative research partnerships with industry and government. He led the establishment of the Research Development office at UoN and built a team of 4 Research Development staff. He was Interim CEO of the CRC for Social Inclusion bid which was shortlisted in 2010. Andrew also played a key role in the highly successful energy strategy led by Research Division UoN which included a successful \$30 million EIF application for the Newcastle Institute for Energy and Resources.

Andrew's skills are best suited to building capacity, sustaining collaborations, managing research programs and building networks and spheres of influence, both in the public sector and industry. Attracting new business and partnerships and ensuring their longevity by establishing appropriate governance mechanisms drives his approach to work.

Ms Danielle Ranshaw – Research Manager BEc&Fin NSW

Danielle's experience in project management in the information technology sector combined with qualifications in economics and finance provides a solid background for WRI projects. With skills in systems design and development, Danielle has been able to extend WRI's capability in developing robust and increasingly complex systems to support research fieldwork. Additionally, Danielle has extensive experience in business process analysis, performance planning and review, report writing and project planning.

Dr. Ivan Trofimov - Research Officer PHD (Macquarie) MEcSt (UNE) MA (Auckland)

Ivan is an economic and public policy analyst and brings experience in macroeconomics, corporate

governance and international trade to WRI projects. Prior to joining WRI, he worked in corporate advisory firms, focusing on economic research and evaluation of corporate governance practices, and in a peak industry body, responsible for pharmaceutical policy formulation in Australia. He was also involved in consulting projects for the Commonwealth Secretariat, APEC Research Centre (New Zealand) and Pacific Islands Trade and Investment Commission. Ivan holds a PhD in Applied Economics from Macquarie University, and master degrees in agricultural and development economics from the University of New England and University of Auckland. He has published several papers in international economic journals.

Ms Rebecca Hood - Research Officer BBus (Fin/Acc) With Distinction CSU

After working in the Financial Services Industry for several years coupled with a degree in Finance and Accounting from Charles Sturt University, Rebecca brings strong skills in finance, economics, business and accounting to WRI projects. Rebecca's extensive experience in the finance field and her high level understanding of current market knowledge gives Rebecca a solid understanding of the financial needs of regional and rural Australia. Having prior experience with local councils and retail, Rebecca also brings a robust understanding of the needs of regional businesses in our local economy to her role at WRI

Ms Dale Curran – Executive Officer BA ANU

Dale is responsible for all administrative processes at WRI including executive support, finance, management of the Board of Directors and maintenance of policies. She has worked in a variety of roles at WRI, including Fieldwork Supervisor and Research Assistant, and has worked on several community and business surveys. Dale brings a high level of organisational skill to her role as Executive Officer.

CLARIFICATION ON PROPOSED SPECIAL RATES VARIATION



Annexure 3.e

Parkes Shire Council Ordinary Meeting Minutes

15 January 2013

Resolution 13-013

Subject: (GM) Policy Development - Rates and Charges Pensioner Rebate and Hardship Assistance Policy

Executive Summary

Council is required to have policies in place which refer to the collection and abandonment of rates and charges. Following an extensive community engagement process for the next Delivery Plan, Council resolved on 18 December, 2012 to agree in principle to the making of an application to the Independent Pricing and Regulation Tribunal (IPART) for a special rate variation for a 4 year period commencing 2013/14.

As part of that application it is prudent that the current rates and charges policy be revisited to enhance the hardship provisions for ratepayers in the event that the current special rate variation application is approved. Accordingly a Rates and Charges Pensioner Rebate and Hardship Assistance Policy has been developed to incorporate the terms of the hardship provisions within the Local Government Act and to facilitate the proposed additional pensioner rebate should a special rate variation application be successful.

Background Information

As part of the Council's work with the community to establish the level of services required and to ensure the financial sustainability of Council, the need for a special rate variation over and above the rate capping imposed by the State Government has been identified. Information in relation to the engagement undertaken and the conclusions arrived at have been the subject of a number of reports to Council as well as the subject of a number of workshops held with Councillors.

It is appropriate should a special rate increase be granted by IPART, Council gives consideration to the impact on ratepayers. Council has had the Western Research Institute carry out a study on the criteria test of reasonableness for the increase. The report indicated that the suggested increase was on the whole reasonable and WRI concurred with the inclusion of Council's voluntary additional rate increase and commitment to the hardship provisions of the Local Government Act to give the proposal a cushion for affected members of the community. This policy gives rise to the implementation of that assistance for ratepayers should the need arise.

Legislative or Policy Implications

The policy renames and replaces the previous Rebates To Pensioners For Rates And Charges Policy.

Divisions1 and 2 of Part 8 of Chapter 15 of the Act

Budget & Financial Aspects

The scenarios contained in the proposed Progressive Delivery Plan contains an allowance for the granting of the additional rebate to eligible pensioners. In relation to hardship, provisions currently exist within the Local Government Act for a number of concessions and the Policy will require an application process to be followed to allow proper due diligence of the genuine circumstances surrounding an application. The number and effect of hardship applications is interminable at this point in time.

Recommendation

1. That Council adopt the Rates and Charges Pensioner Rebate and Hardship Assistance Policy

Report

Whilst Council currently responds to hardship applications on an ad hoc basis, the assessment of applications under the hardship provisions that will apply under the policy are significantly enhanced compared to current provisions. Consistent with Council's desire for equitable treatment of ratepayers within the rating structure, the policy provides enhanced relief from hardship that may occur for both pensioners and non-pensioners as a result of any special rate variation.

Attachments

1. Rates and Charges Pensioner Rebate and Hardship Assistance Policy



PARKES SHIRE COUNCIL

**RATES AND CHARGES PENSIONER REBATE AND
HARDSHIP ASSISTANCE**

POLICY

PARKES SHIRE COUNCIL
REBATES TO PENSIONERS FOR RATES AND CHARGES
POLICY

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DOCUMENT VERSION CONTROL

Ref No.	Created by	Adopted	Last Modified	Review Period
Doc No.	Fiona McKenzie 11/01/2013		Fiona McKenzie 11/01/2013	Twelve months

INTRODUCTION

To provide eligible pensioners with the pensioner concessions relating to Rates and Charges under the provisions of the Local Government Act 1993.

PURPOSE

This policy is to determine who is eligible for a pensioner concession and to ensure compliance under 'Section 575' of the Local Government Act, 1993. The policy also gives rise to hardship provisions and the granting of additional pensioner concessions.

POLICY

1. Pensioner Concessions

1.1 Parkes Council will promptly arrange for pension rebates (as per government legislation) to be applied for all eligible pensioners. Rebates will apply from the current rating year only, and will not be retrospectively applied to previous years.

1.2 Eligible pensioner property owners are entitled to a rate rebate not exceeding \$250 per annum in accordance with Section 575. If a rate increase is approved in excess of the Independent Pricing and Regulatory Tribunal's (IPART) determination of the Local Government Cost Index (LGCI), Council may provide an additional rebate in accordance with Section 582, to be set by a resolution of Council at the commencement of the financial year.

1.3 If a ratepayer is in receipt of a pension concession card and is currently receiving a pension rebate on the property considered to be their sole or principal place of residence, and they are then required to enter an aged care facility for health or care reasons, the pension rebate will continue to apply as long as the property is not being rented or occupied.

1.4 As per Section 577 of the Local Government Act 1993, Council will also grant a rate concession when an eligible pensioner, not the owner of the property, has a life interest in the property and is responsible for payment of rates. Council requires confirmation in writing from a legal representative with a copy of the will of deceased estate, copy of the Certificate of Title and relevant document to validate the life tenancy agreement.

2. Hardship Provisions

HARDSHIP ASSISTANCE

2.1 Council recognises there are cases of genuine financial hardship requiring respect and compassion in special circumstances. This policy establishes guidelines for assessment of hardship applications applying the principles of social justice, fairness, integrity, appropriate confidentiality, and compliance with relevant statutory requirements. It applies to all applications for waiving, deferment & alternative payment arrangements, or writing off of fees, annual charges and interest accrued on such debts.

2.2 This policy provides a framework for responding to applications from owners/ratepayers and other clients experiencing genuine hardship with the payment of their rates, annual charges and fees in accordance with the Act and the Local Government (General) Regulation 2005(NSW).

2.3 Privacy will be maintained in accordance with the NSW Privacy and Personal Information Protection Act 1998.

HARDSHIP ASSISTANCE TO RATEPAYERS AND CUSTOMERS

2.4 Council recognises that ratepayers may experience hardship in some circumstances in paying rates, annual charges, and fees. The Act provides for the following assistance to ratepayers and customers:

- (1) Periodical payment arrangements for overdue rates and charges (Section 564);
- (2) Writing off or reducing interest accrued on rates or charges (Section 564 & 567);
- (3) Waiving, reducing or deferring the payment of the increase in the amount of rate payable because of hardship resulting from general revaluation of land in the Local Government Area (Section 601) may be considered;
- (4) Waiving, or reducing rates, charges and interest of eligible pensioners. (Section 575, 582) may be considered.
- (5) Waiving or reducing Council fees when the inability to pay is due to hardship (Section 610E) may be considered.

2.5 A ratepayer may be eligible for consideration for Hardship Assistance in the payment of overdue rates, annual charges, interest, and fees, where:

- (1) the person is unable to pay due rates, charges, fees or accrued interest when due and payable for reasons beyond the person's control; or
- (2) payment when due would cause the person hardship.

2.6 In determining eligibility, Council will use the criteria used by Centrelink for granting of a pensioner concession card, including the assets and income test. Council may also require a request in writing including a statement of reasons, reasonable proof of financial hardship, details of assets, income and living expenses, and such other information required to make a valid assessment. It may also request the ratepayer attend an interview to assist Council in the understanding of the issues causing hardship.

HARDSHIP ASSISTANCE BY PERIODICAL PAYMENT ARRANGEMENTS

2.7 Council may enter into a formal agreement with a ratepayer eligible for alternative periodical payment arrangements for due and payable rates, and charges. Council or the ratepayer may initiate a proposal for a periodical payment agreement. In accordance with section 568 of the Act, payments will be applied towards the payment of rates and charges in the order in which they became due.

HARDSHIP ASSISTANCE BY WRITING OFF ACCRUED INTEREST AND COSTS

2.8 Council applies interest rates to the maximum allowable under section 566 of the Act. However Council may write off accrued interest and costs on rates or charges payable by a person under Section 567 of the Act and the Local Government (General) Regulation 2005 where:

- (1) The person was unable to pay the rates or charges when they became due for reasons beyond the person's control, or
- (2) The person is unable to pay accrued interest for reasons beyond the person's control, or
- (3) Payment of the accrued interest would cause the person hardship.

2.9 Eligibility for this assistance will be at Council's discretion following an application process.

ASSISTANCE TO ELIGIBLE PENSIONERS

2.10 For the purpose of this policy an eligible pensioner is a person in receipt of a pension, benefit or allowance under Chapter 2 of the Commonwealth Social Security Act 1991 or a service pension under Part 3 of the Veterans' Entitlement Act 1986 of the Commonwealth and who is entitled to a Commonwealth Pensioner Concession Card, as prescribed in Clause 134 of the Local Government (General) Regulation 2005 (NSW). If Centrelink removes the entitlement of a person to a pension under these provisions, they will not be entitled to a pensioner rate concession and will need to reapply to Council. Should a ratepayer fail to reapply, rebates will not be granted until such application is made.

2.11 Pensioner concessions for rates and charges are available under Sections 575-584 of the Act. To receive the concessions, an eligible pensioner must apply to Council for a reduction in the ordinary rates and charges for Domestic Waste Management of 50 percent provided this does not exceed \$250 (section 575).

2.12 Council may extend the reduction by an additional amount (section 582) to an eligible pensioner if a successful application has been made under section 575.

2.13 Under Section 577 of the Act, in order to avoid hardship, Council may extend the pensioner concession to ratepayers who jointly occupy a dwelling and are jointly liable for the rates and charges with an eligible pensioner, if it considers it proper to do so.

2.14 The Act does not provide for the deferral of pensioner rates and charges, apart from the provisions for a formal agreement for periodical payments. However, Council may allow for a delay of recovery proceedings in some cases subject to an interest charge calculated in accordance with Section 566 of the Act.

WRITING OFF OF RATES, CHARGES AND INTEREST

2.15 Council may write off charges or interest, subject to this policy. The General Manager shall have a delegation to do so and report such write-off at the appropriate ordinary meeting

RESPONSIBILITY

The Rates/Revenue Section in conjunction with the Director of Technology & Corporate Services, is responsible for considering applications.

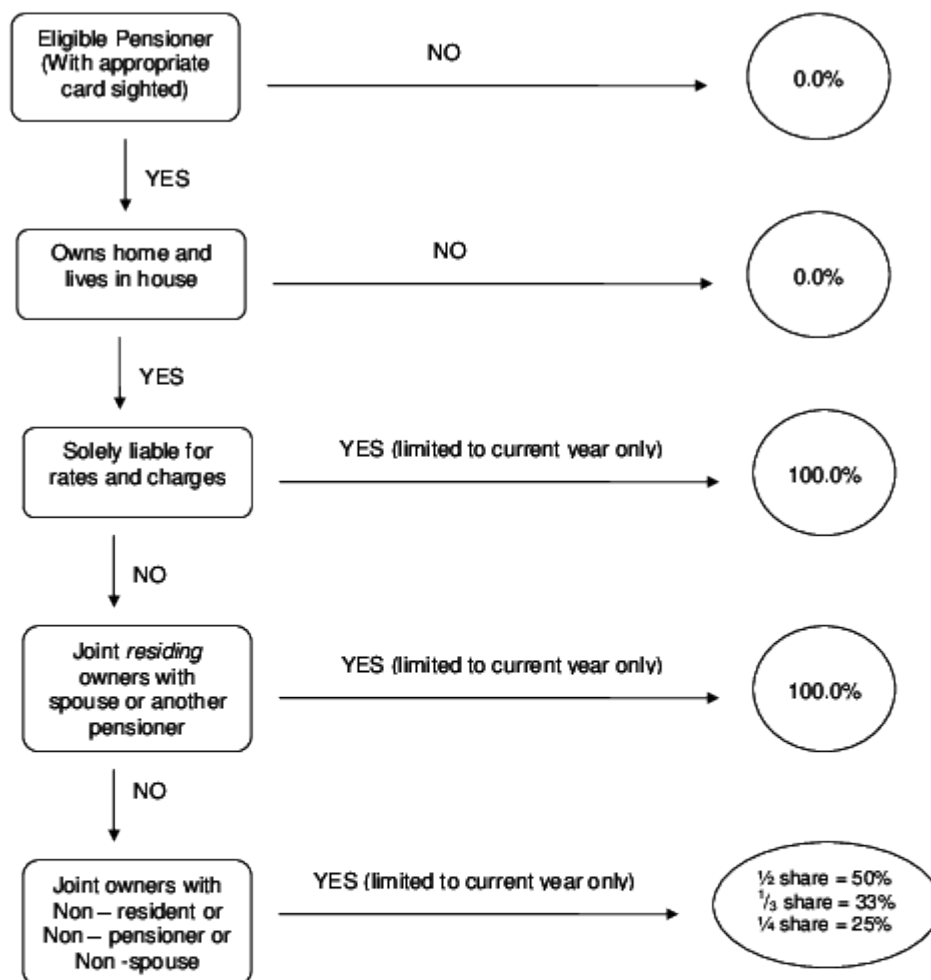
RELATED DOCUMENTATION

This Policy should be read in conjunction with Section 575 of the Local Government Act 1993, Section 582 of the Local Government Act 1993, Local Government (Rates and Charges) Regulation 1999 Section 18 and Council Rating and Revenue Raising Manual, under Concessions for Pensioners.

PROCEDURE

Pension Rebate Eligibility Flowchart

The following flowchart can be used to determine the appropriate level of rebate for an eligible pensioner.



REFERENCES

Social Security Act 1991
 Veterans' Entitlements Act 1986
 Local Government Act 1993 - Chapter 15, Part 8 - Concessions
 Local Government Act 1993 - Sections 575 and 582
 Local Government Act (General) Regulation 2005 - Regulation 134 and 135

Annexure 3.f

**Activity 4 - General Purpose Revenue
Estimates**

"General - Council Pension Rebate"

**Parkes Shire Council Operational
Budget 2013-2014
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**Delivery Plan Financial Forecasts 2013-
2014
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PARKES SHIRE COUNCIL
ACTIVITY 4 - GENERAL PURPOSE REVENUES
ESTIMATES

	2013/14 Financial Forecast	2014/15 Financial Forecast	2015/16 Financial Forecast	2016/17 Financial Forecast
Income from Continuing Operations				
Revenue:				
Rates and Annual charges	8,761,912	9,972,033	11,256,747	12,706,797
User charges & fees	-	-	-	-
Interest & Investment Revenue	425,500	456,288	691,095	435,922
Other Revenues	-	-	-	-
Grants & contributions provided for Operating Purposes	3,638,050	3,746,653	3,858,500	3,973,689
Grants & contributions provided for Capital Purposes	-	-	-	-
Other Income:				
Net gains from the disposal of assets	624,336	-	-	-
Total Income from Continuing Operations	13,449,798	14,174,974	15,806,342	17,116,408
Expenses from Continuing Operations				
Employee Benefits & On-Costs	-	-	-	-
Borrowing Costs	-	-	-	-
Material & Contracts	-	-	-	-
Depreciation & Amortisation	-	-	-	-
Other Expenses	-	-	-	-
Loss from the disposal of assets	-	-	-	-
Total Expenses from Continuing Operations	-	-	-	-
Net Operating Result for the Year	13,449,798	14,174,974	15,806,342	17,116,408
Net Operating Result for the year before Grants and Contributions provided for Capital purposes	13,449,798	14,174,974	15,806,342	17,116,408

PARKES SHIRE COUNCIL
ACTIVITY 4 - GENERAL PURPOSE REVENUES
ESTIMATES

	2013/14 Budget
Income from Continuing Operations	
Revenue:	
Rates and Annual charges	8,761,912
User charges & fees	-
Interest & Investment Revenue	425,500
Other Revenues	-
Grants & contributions provided for Operating Purposes	3,638,050
Grants & contributions provided for Capital Purposes	-
Other Income:	
Net gains from the disposal of assets	624,336
Total Income from Continuing Operations	13,449,798
Expenses from Continuing Operations	
Employee Benefits & On-Costs	-
Borrowing Costs	-
Material & Contracts	-
Depreciation & Amortisation	-
Other Expenses	-
Loss from the disposal of assets	-
Total Expenses from Continuing Operations	-
Net Operating Result for the Year	13,449,798
Net Operating Result for the year before Grants and Contributions provided for Capital purposes	13,449,798