

6 October 2016

**Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal**
PO Box K35,
Haymarket Post Shop NSW 1240

Submission via:

http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission

Anglicare submission in relation to the *Review of the Local Government Rating System* prepared for Local Government NSW (Draft - August 2016) prepared by Independent Pricing and Regulatory Tribunal of New South Wales

Anglicare's submission is provided in the following structure:

1. *Who is Anglicare?*

By providing a detailed background as to who Anglicare is, a relevant contextual framework is provided to our submissions.

2. *General Submission*

Anglicare's concerns with the Review go to the fundamental proposition that charitable and not-for-profit organisations providing non-government funded benefits to local communities relieves government of the burden and, as such, should not be taxed.

3. *Detailed Submission*

Our detailed submission highlights issues and concerns with the reasoning on which specific recommendations in the Review are founded and which Anglicare believes provides an inequity.

Who is Anglicare?

Anglicare and Anglican Retirement Villages merged on 1 July 2016 to become Anglicare¹.

Anglicare is a large charitable community services and welfare organisation², with operations across greater Sydney, the Illawarra and the Blue Mountains (**Anglicare's operating region**).

¹ <https://www.anglicare.org.au> and <https://www.arv.org.au>

² Anglicare is a registered charity with the Commonwealth's Australian Charities and Not-for-profits Commission (Charity ABN 39 922 848 563)

Over 50,000 people throughout Anglicare's operating region benefit from the diverse range of community and aged care support services, as well as the variety of accommodation options provided by Anglicare. A further 500,000 people make use of an Anglicare 'Op Shop' annually, assisting with the generation of funds for the provision of Anglicare's services and accommodation options.

Local communities are a critical focus for Anglicare. Our organisational mission centers on serving people in need and enriching their lives as we share the love of Jesus. In this way, Anglicare strives to strengthen communities through the provision of services and accommodation options specifically tailored to the particular needs of individual communities.

Although Anglicare provides a range of government funded services, such as residential aged care, out of home care for children, disability support, family and parenting support, mental health support and counselling services, Anglicare also provide a considerable number of services that are either unfunded or only partially funded by government (**Unfunded Services**). Many of these Unfunded Services provide critical community-based support which contributes towards better community integration, resilience and reducing social isolation. The Unfunded Services provided by Anglicare most notably include the following programs:

- **Sustainable Living Services**

Sustainable Living is a community development program that combines crisis services with early-intervention and prevention strategies, including:

- emergency relief, through the provision of food and financial assistance;
- financial counselling;
- skills training;
- early learning;
- capacity building; and
- no or low interest loans.

Anglicare's aim for the program is to go beyond just responding to an immediate crisis, rather working alongside people providing them with the skills and resources they need to prevent them falling back into crisis.

The program is conducted across greater Sydney, with hubs in Mount Druitt, Summer Hill, Liverpool, Penrith, Moss Vale, Wollongong, Campbelltown and Bondi.

While some of the program is government funded, the following services are not:

- *Mobile Community Pantry* – Anglicare provides bags of grocery items at very low cost via a custom built 'pantry van' that regularly visits a range of local church sites, including Airds, Bankstown, Castle Hill, Chester Hill, Doonside, Dundas, Greenacre, Granville, Lakemba, Liverpool South, Malabar, Petersham, Riverwood and Ropes Crossing.

The value of food savings to the community is estimated at \$310,000 per year and cost Anglicare \$130,000 annually to operate.

- *Fresh Food* – Anglicare distributes fresh food bags from the Liverpool and Mount Druitt hubs. The value of food distributed annually is estimated in excess of \$50,000.
- *Toys and Tucker* – Anglicare co-ordinates and provides a Christmas distribution of food and toys to needy people across Sydney, as well as the provision of over \$100,000 in gift cards each year.
- *Capacity Building* – The Mount Druitt Hub is home to a comprehensive community program to build resilience and reduce social isolation. Services include special interest group events, social events and meetings, support and vocational training courses, such as barista training. Similar programs are run from other hubs.
- **Disaster Recovery Services**, following natural disasters;

Anglicare coordinates a trained volunteer workforce of 3,000 people across Anglicare's operating region in times of natural disaster or great need.

Volunteers are on standby to assist local communities following major bushfires, floods and even in the event of a terrorist attacks.

Anglicare conducts regular training courses along with drives for new recruits, to ensure that volunteers are both available and able to assist in times of great need.

The benefit that these services provide is best expressed through the words of two of Anglicare's volunteers, Mr P and Mrs R, who recounted their experience of assisting with the South Coast Floods of August 2015:

“On the 26th evening, I had need to send us out again the following morning to a centre at the Sussex Inlet Bowling Club as a replacement shift. We refreshed our emergency kits and ourselves in the morning and met JD at around 7.30 a.m. Once again we went through the briefing procedure and handing over and started another shift, listening to experiences from the ‘family’ of evacuees which had developed overnight, and being appraised of the situation from the other Team Members and the Club Staff. FACS and ADRA co-ordinated with us continually as the families searched for information about their own situations – having been rescued from their flooded homes, by SES dingy as the roads were cut and others from tourist accommodation hoping to return to W.A. the following day! Keeping a tab on those in our care proved the most difficult to handle as the club opened for business and the regular patrons started to arrive for bingo and bowls and a warm, dry place to spend the day. It was hard to know if they were arriving in a steady stream, just to use the toilets or needing our assistance! There were quite a few highlights and lessons learnt.”

Without the provision of these services by Anglicare and other not-for-profit and charitable organisations, affected communities will suffer more greatly from the impact of natural and other disasters.

- **Chaplaincy and Pastoral Care**

Anglicare provides thousands of people with chaplaincy and pastoral care annually, all of which is funded and provided by Anglicare without government assistance.

Each of Anglicare's residential care homes and retirement villages has dedicated pastoral carers.

Anglicare's home care clients may also choose to receive regular chaplaincy or pastoral support at no additional cost to them.

In addition, many of Anglicare's chaplains and pastoral carers are active in many hospitals, prisons and mental health facilities across the region.

- **Affordable Rental Accommodation**

Anglicare provides affordable rental accommodation to older Australians who are at risk of homelessness and facing marginalization within their communities.

Approximately 220 units at Anglicare's retirement villages (which equates to approximately 10% of Anglicare's total retirement living portfolio) are available for affordable long-term rental, capped at 35% of the government pension and allowances. In addition, residents are not required to provide a bond, thus further reducing the financing impediments on residents obtaining the benefits of securing long-term accommodation.

Anglicare also provides 35 rental units at stand-alone locations in Chippendale and Penrith, with 3 more developments due for delivery by 2019.

Anglicare's focus is on individuals who are in insecure and inappropriate accommodation and face the constant threat of eviction or being forced onto the streets.

Existing residents are reliant on fixed disability or aged pensions, and hence are extremely limited in their capacity to pay rent increases that are above annual indexed pension increases.

Life circumstances have caused many residents to have no other assets to speak of, not even furniture. Hence, the fact that Anglicare does not require a bond for occupancy is a significant benefit to many who may not have any savings or means by which to pay it.

Anglicare subsidizes its rental tenants as an expression of its social outreach and any increase in the cost of providing that assistance would immediately affect the ability of Anglicare to provide this program. Rental tenants would be the least likely of all to be able to absorb any increase in costs, if passed on by Anglicare. Given the direct, negative benefits this would be expected to have on the residents' quality of life, it would be expected that Anglicare would absorb the increased costs, to the detriment of this and other Unfunded Services.

The subsidy, in terms of profit forgone, associated with Anglicare providing this form of accommodation is in the order of \$1.8million annually.

- **Migrant and Refugee Services**, including English as a Second Language (**ESL**) classes, trauma counselling, outreach and support.

Anglicare funds ESL groups across Anglicare's operating region in the order of \$500,000 annually. Over 100 classes in 80 locations are currently offered to non-first language English speakers.

Anglicare employs seven staff who train volunteer facilitators to conduct these courses across the locations. While these facilitators teach English, they also meet the holistic needs of those attending, engaging with and referring them to required services. This may include, for example, assisting migrants and refugees to prepare for meetings with the Department of Immigration, assistance with buying a car, accessing a payment or dealing with a dispute. Many of Anglicare's ESL programs operate as migrant and refugee support groups for those from culturally and linguistically diverse communities.

Anglicare also funds an Asylum Seeker Outreach worker, who raises awareness of the needs of asylum seekers, distributes resources to meet these needs and provides skills training. A trauma counsellor is also employed, providing support to migrants and refugees who have suffered trauma and torture.

In addition, as part of its Sustainable Living early learning program, Anglicare is piloting a program in Bankstown which is specifically run for Syrian/Iraqi refugee and migrant families.

Although these Unfunded Services cost Anglicare in excess of \$10million annually to provide, they provide recipients with not only an equivalent dollar value in tangible benefits but they also provide intangible benefits, derived through developing more resilient and integrated communities, which are arguably of far greater value to the community and the persons affected, than the money expended.

Funding for these Unfunded Services is received from principally two sources:

- charitable donations to Anglicare from the general public; and
- the reinvestment of surplus funds generated by Anglicare, a large proportion of which is generated by the sale and resale of Anglicare's retirement village units and the provision of aged care accommodation and services.

Where legislative or market-based changes increase the costs associated with operating retirement villages, this has a direct impact on Anglicare's ability to fund its broad-based community and charitable services.

When this is coupled with Anglicare's limited ability to transfer these increased costs to retirement village residents, without it having a detrimental effect on their quality of life (given the majority are on fixed incomes with low capacity to increase recurring payments), Anglicare will be forced to absorb a greater proportion of the increased cost, placing, most acutely, the Unfunded Services at risk.

In addition to the Unfunded Services, and relevant to this submission, Anglicare also provides the following key community offerings:

- ***Residential Aged Care***

Anglicare's aged care homes and services are not dissimilar to the facilities and services provided by hospitals. Many of the aged care services provided by Anglicare cater for those who:

- are generally in poor health or who are frail due to their age, most of whom are bedridden;
- require end of life care; or
- are unable to live in their own homes, or alternative accommodation, as they require frequent medical attention and/or monitoring.

Clients of our homes are generally occupants by necessity, due to their medical and health requirements, and not ones necessarily by choice. As a result of their medical and other circumstances, our clients do not generally leave the home and, as such, do not use or access facilities provided by the local government. For example, as many clients are not mobile, they are unable to walk around the local neighbourhood or to take advantage of the local government services such as libraries, community centres and parks.

The provision of aged care homes and services by not-for profit and charitable organisations, such as Anglicare, reduce the burden on the State Government's health system, with all funds derived from the operation of such homes being reinvested back not only into the provision of the services, the maintenance and operation of the homes and the development and provision of additional aged care offerings, but is a significant contributor of funds for the provision of Anglicare's Unfunded Services.

- ***Retirement Living***

Anglicare develops retirement villages and communities, with the associated provision of services, in a not-for-profit manner. In the development of these villages (as is similarly the case with Anglicare's aged care homes), Anglicare expends and invests funds in the building of roads, the provision of lighting, stormwater detention and other public infrastructure within the villages, which alleviates the burden on local government.

As a not-for-profit organisation, any profits generated by Anglicare through the development and management of its retirement villages and associated services are reinvested back into the operations of the organisation and allow Anglicare to provide its significant Unfunded Services (as described above). These services are not only provided for the benefit of residents of the retirement villages and Anglicare's home care clients, they are provided for the benefit of the wider local community in the form of additional services, amenities and support to the needy.

In addition, as Anglicare is not required to generate profits to benefit share-holders, recurring charges to residents of retirement villages may be maintained at cost price, benefiting residents who are, in the main, over the age of 70 and who are generally

categorised as low income earners, as their main source of income is via a government pension or allowance³.

As such, Anglicare, through its low cost retirement living offerings creates opportunities for those less advantaged older people in our community to achieve the peace of mind that comes from a supportive community, reducing social isolation, and with the promise of ongoing care and home-based services being taken care of.

Anglicare's retirement villages and communities, like many other not-for-profit and charitable retirement living operators, are provided and serviced by Anglicare, with little direct interface between residents and the services that the local government may provide. Anglicare generally provides most of the residents community needs, reducing the need for services provided by the local government. In addition, Anglicare undertakes the maintenance and upkeep of all roads, verges, pavements, walkways, facades, parks and property within the villages.

Anglicare's Submissions on the Review of the Local Government Rating System⁴

1. General submission

Although Anglicare agrees with the basic premise of the Review that the financial sustainability of local governments in NSW is reliant on their ability to recover rates on a broad basis, the successful functioning of not-for-profit and charitable organisations such as Anglicare and their ability to reinvest funds received back into the community benefitting services they provide to the community, is based on the fundamental premise that such organisations should, as a whole, be exempted from tax as:

- tax imposts will detrimentally affect the capacity of such organisations to deliver community benefitting services, through the diminution of funds which are able to be reinvested into the community;
- any reduction in the services provided by such organisation is likely to either:
 - i. place a greater financial burden on the local government, who will be required to provide similar services to the elderly or disadvantaged; or
 - ii. increase the need within the community for these services, where the local government does not provide the required additional services, with the local community potentially experiencing greater community homelessness, crime and individual isolation; and
- the provision of retirement villages, aged care homes, other accommodation and related services by such organisations are not commercially driven with profits being returned to investors.

We note that the Review goes some way to acknowledging this⁵, however, the analysis provided does not take into consideration the totality of the not-for-profit and charitable services provided for the benefit of the community.

³ McCrindle Baynes Villages Census Report 2013

⁴ *Review of the Local Government Rating System* prepared for Local Government NSW (Draft - August 2016) prepared by Independent Pricing and Regulatory Tribunal of New South Wales (**Review**)

⁵ See Box 6.1 on page 76 of the Review

As noted in the Review, the broad application of rate collection requires a number of factors to be considered⁶. The Review does not seek to, unlike the Deloitte Paper⁷, analyse the application of the local government rating exemptions, across all the categories of exemption classes, but focusses on the application of the Capital Improved Value (**CIV**) and Unimproved Value (**UV**) as the metric to apply when determining rates.

Anglicare is understandably focussed and concerned with the Review's findings where they are applicable to its operations.

Anglicare is ultimately concerned that any review of the current exempt status, particularly relevant to not-for-profit and charitable organisations, appropriately considers all the relevant issues applicable to the application of an exempt status. For Anglicare, this ultimately requires the balancing of:

- the net benefit provided to a community within a local government area through the provision of services by the not-for-profit or charitable organisation, who provides those services both on land held in the local government area and otherwise to the benefit of the communities in the local government area;
- an equality assessment in the granting of exemptions where an organisation has a limited ability to pay. For example, a charitable organisation such as Anglicare where:
 - the granting of an exemption would allow the organisation to spend more on reinvestment towards helping other disadvantaged people; and
 - the ability for the organisation to recover any increase in rates from its aged care clients and retirement living residents are restricted legislatively.

These legislative restrictions have been imposed consistently with the social and welfare policies associated with limiting charges which may be recovered from residents of the facilities who, in the eyes of policy makers of the time, may similarly have limited financial ability to pay such charges.

The inability of Anglicare to recover any increase in rates will, if IPART's recommendations are adopted, reduce Anglicare's funding, the net effect of which will be a diminution in the services that Anglicare is able to provide to the benefit of the local community. Accordingly, any review of the rating system, if it does not include a wider legislative review, may lead to inequities being inadvertently created; and

- the consumer has a limited ability to pay.

In addition to assessments being made as to the use of the land, equal consideration should be given to how an increase in rates will impact residents of affordable accommodation. A significant proportion of these residents albeit residing in accommodation for residential purposes, do not have the ability to

⁶ Section 2.3 of the Review

⁷ *Review of local government rating exemption provisions* prepared for Local Government NSW (May 2013) prepared by Deloitte Access Economics (**Deloitte Paper**)

pay these rates. If not-for-profit and charitable organisations, such as Anglicare, in providing these types of low cost services, are left to carry the financial burden on behalf of the residents, this will again, take away from Anglicare's capacity to deliver other services to the community, through the commensurate reduction in its funding.

- the diminution of services the not-for-profit or charitable organisation provides due to the effective reduction in its funding, through a requirement to pay rates.

On this basis, and for the reasons provided below, Anglicare is supportive of the proposed changes in the rating system in the local government rates on the following basis:

- it relates to actual land use rather than land ownership (which is consistent with the first limb of draft recommendation 10 of the Review⁸);
- it rates commercial use, where the exempt institution is either carrying on a commercial use or it has permitted another to carry on a commercial use from its land and the institution has the ability to recover the rates payable from that entity, whether or not the institution avails itself of that ability (which is consistent with part of the second limb of draft recommendation 10 of the Review⁹). Further discussion on this point is dealt with in paragraph 3 below of this submission;
- it excludes from rating any uses, including residential uses, where such use is provided:
 - not for profit or charitable purposes;
 - for the benefit of the local community through the provision of:
 - retirement living;
 - aged care;
 - disability care; or
 - affordable accommodation,
 within the local government area; or
 - provides a service which is not ordinarily provided by the local or State government within the local government area;
- draft recommendation 15 of the Review¹⁰ is to apply where there is a mixed use and one or more of the uses is rateable;
- draft recommendation 16 of the Review¹¹ is to apply where there is an intermittent exempt use;

⁸ See page 11 of the Review

⁹ See page 11 of the Review

¹⁰ See page 12 of the Review

¹¹ See page 12 of the Review

- when applicable, the CIV method of calculation should only be used for determining rates for commercial use; and
- where the land is used for an exempt purpose only part of the time, the proposed self-assessment process should be used to determine the proportion of rates payable for the non-exempt use.

Currently Anglicare receives the benefit of land exemptions from most rates in NSW under the general head of "*land belonging to a public benevolent institution or public charity and is used or occupied by the institution or charity for its purposes*"¹² (**Public Benefit Exemption**).

Whilst it is Anglicare's view that not-for-profit organisations should, as a fundamental principle, be exempt from all taxes given their contributions to the community, it appears that the Review has taken the view that:

- the principles of optimal taxation are appropriate for determining public policy in relation to the appropriateness of rate exemptions; and
- the key tax principles,¹³

without further analysis of the circumstances relevant to the proposed rate payers many of whom are pensioners living on fixed or low incomes, and in doing so, has not properly considered the implications of increasing the rate base in the manner now recommended in the Review.

To this end, Anglicare wishes to challenge some of the statements and assumptions made in the Deloitte Paper and to add other matters for consideration by Local Government NSW, which should apply when considering whether to continue the Public Benefit Exemption in the manner Anglicare proposes above.

2. Detailed submission and commentary on the Review, through a review of the tax principles noted in the Deloitte Paper

Section 3 of the Deloitte Paper provides a brief description and analysis of the principals of optimal taxation, having regard to the rating exemptions provided in NSW.

This analysis makes a number of statements and assumptions which Anglicare believes are neither supported by factual considerations in the Deloitte Paper nor sufficiently developed, when applied to institutions that currently receive the benefit of the Public Benefit Exemption. These are:

a. Efficiency

The statement that "*an exemption will undermine efficiency to the extent that it distorts land use away from that which would prevail in its absence*"¹⁴ does not take into consideration the limited resources of not-for-profit and charitable

¹² Section 556(1) of the *Local Government Act 1993*

¹³ Section 2.3, page 21 of the Review

¹⁴ Section 3.1, page 11 of the Deloitte Paper

organisations. It assumes a prevalence of "*exempt institutions*"¹⁵ which is not otherwise supported in the Deloitte Paper.

Further, the Deloitte Paper makes statements as to the ability of residents of retirement living villages and aged care homes, as part of its case study in section 5.1.1, to ultimately pay the rates levied on an operator, however, the Paper although stating that "*the characteristics of the retirement village residents therefore determine the equity implications*"¹⁶ also admits that "*the characteristics of retirement village residents has not been analysed as part of this report*"¹⁷

Similarly, the Review appears to support the contention made in the Deloitte Paper where it notes "*taxes that minimise changes to production and consumption decisions are more efficient. The more that taxes that are designed to raise general revenue change behaviour, the greater the welfare loss*"¹⁸. This view is based on an assumption that a universal free market applies¹⁹, which fails to account for the social benefit of a mixed market and implies, through the Review's rationale for draft recommendation 10, the number of exempt institutions are so prevalent as to distort efficiencies.

Accordingly and as discussed in the precursor to this detailed in paragraph 1 of this submission above, Anglicare is concerned that Local Government NSW has not fully considered:

- the prevalence of Public Benefit Exemption, in so far as it applies to retirement living, aged care and affordable accommodation, within each of the relevant local government areas and the loss of potential attributable rate revenue;
- the ability of residents of the not-for-profit retirement living villages, aged care homes and affordable accommodation to pay the rates proposed to be levied, most of whom are of ill health and/or low income earners who are reliant on the government pension or allowance; nor
- the impact that the proposed rating of uses, which were previously exempt, will have on the services provided to the community by not-for-profit or charitable organisations, through the dissemination of funds away from their ability to provide further services.

b. Simplicity

Anglicare concurs with the premise that taxation should be administratively simple²⁰, both from an implementation and recovery perspective, as well as a compliance basis. However, administrative simplicity, as the sole or central focus, may ultimately cause inequitable application of taxation, as discussed above in relation to the legislative prohibitions on a retirement village operator's

¹⁵ Section 3.1, page 11 of the Deloitte Paper

¹⁶ See page 19 of the Deloitte Paper

¹⁷ See page 19 of the Deloitte Paper

¹⁸ Page 22 of the Review

¹⁹ See note 16 on page 22 of the Review

²⁰ Section 3.2, page 12 of the Deloitte Paper; section 2.3.3 of the Review

ability to recover increases in rates from residents. As such, simplicity must be balanced against equitable considerations.

c. Equity

Although exemptions may affect the distribution of the burden of taxation²¹ the Deloitte Paper provides considerable weighting to the "*capacity to pay*" notion (as does the Review in respect of the "*ability to pay*"²²), without fully analysing, or providing similar weighting, to other equitable considerations, most notably in the current context:

- the community benefits provided by not-for-profit and charitable organisations;
- the reinvestment of funds generated by the organisation back into the organisation for the provision of further community and charitable services; and
- the degree to which the not-for-profit or charitable organisations are reliant on services provided by the local government,

all of which have been discussed above, as to the model in which not-for-profit and charitable organisations, such as Anglicare, operate.

In most, if not all, not-for-profit and charitable contexts, the relevant organisations will have the requisite capacity to pay rates based on a land ownership model. This capacity is at a cost (potentially significant in certain circumstances when the underlying land value, determinative for rate calculation, is high) as it reduces the funds not-for-profit or charitable organisations may apply to their community focused or charitable purposes.

Accordingly, Anglicare supports the importance of addressing each of the two discrete notions of equity as provided in the Deloitte Paper²³ and the answering of the questions posed. However, the questions require more detailed answers, in some instances, and additional matters posed, to ensure that the balance between benefit and capacity to pay is fully considered.

As such, we suggest that the key concepts for consideration are as posed in the Deloitte Paper (as replicated below), with suggested additions to the questions noted by underlining and deletions in strikethrough and for further relevance, we provide answers to the questions from Anglicare's perspective:

*Benefit principle*²⁴

1. *Do exempt institutions benefit from services provided by the local government? If so, what are the services and to what extent does the exempt institution benefit from the services?*

²¹ Section 3.3, page 12 of the Deloitte Paper

²² Section 2.3.2 of the Review

²³ Section 3.3, pages 12 and 13 of the Deloitte Paper

²⁴ Section 3.3, page 12 of the Deloitte Paper

Yes.

Anglicare, its retirement living residents, aged care clients and affordable housing residents receive limited benefit from services provided by local government. Many community facilities and services are provided within retirement villages and aged care homes operated by Anglicare, including libraries, information services and sporting and fitness facilities. Garbage collection and recycling services are all carried out by Anglicare for and on behalf of their residents as an in house service, without the involvement of the local government.

2. Do exempt institutions use the services of private contractors, in substitution for services ordinarily or usually provided by the local government? If so, what are the services provided by the local government that the exempt institution does not use?

Yes.

Anglicare's retirement villages and aged care homes provide privately for waste collection and recycling. In addition, as previously mentioned, Anglicare generally provides most of the residents' community needs, reducing the need for services provided by the local government. Anglicare also undertakes, as part of its development of retirement villages and communities, a number of infrastructure works (such as stormwater) which alleviates the burden on the local government to provide services in this regard. Further, Anglicare undertakes the maintenance and upkeep of all roads, verges, pavements, walkways, facades, parks and property within its retirement villages and aged care homes. All of which reduced the demand on local government.

3. Do the activities of exempt institutions create additional costs for local government? If so, to what extent are additional costs incurred?

Anglicare's operations within Anglicare's operating region do not create any additional cost burden for local government which is either particular to Anglicare's use of land or its activities conducted within the applicable local government areas.

4. Do exempt institutions provide services to the community which the local government does not provide?

Although this depends greatly on the local government area concerned, all of Anglicare's Unfunded Services are either not provided by the local government (for example, the provision of fresh food, financial counselling, capacity training, chaplaincy and pastoral care) or are services which, if provided by the local government, are not of sufficient scale to provide the required assistance (for example, disaster recovery services, emergency relief, migrant and refugee services and affordable rental accommodation).

5. To what extent do exempt institutions generate benefits for the community in providing their services, whether provided by the local government or not?

As mentioned earlier, Anglicare's Unfunded Services are provided at a cost to Anglicare in excess of \$10million annually. These services provide recipients with not only an equivalent dollar value in tangible benefits but they also provide intangible benefits, derived through developing more resilient and integrated communities, which are arguably of far greater value to the community and the persons affected than the money expended.

6. *Overall, can it be considered that the community benefits outweigh the cost to ~~society~~ the community of allowing the exemptions?*

Yes.

Any reduction in Anglicare's ability to fund its Unfunded Services, in addition to the reinvestment in Anglicare's other services and programs, will ultimately either place a greater burden on the local government to provide the services or will cause a diminution in the services that are required by the community and which are not provided by the local government, both of which may lead to greater community homelessness, crime and individual isolation. The community benefits of the Unfunded Services arguably far exceed the financial savings accruing to the organisation through the non-payment of rates on land it owns.

7. *Are these net community benefits mainly concentrated within the local government jurisdiction, or are they spread more widely across broader society? If spread more widely, are the activities of exempt institutions of benefit to the local government jurisdiction?*

Yes.

Capacity to pay²⁵

1. *From what sources is the exempt institutions' funding derived? For example: through public donations, its enterprise or a combination of both?*

Anglicare's funding is primarily generated or received through:

- charitable donations to Anglicare from the general public;
- government funding and grants; and
- the sale and resale of Anglicare's retirement village units.

2. *Do exempt institutions have the capacity to make financial contributions towards local government services which they receive, in the form of rates?*

Yes.

3. *To what extent does this capacity to pay restrict their ability to provide broader community services?*

²⁵ Section 3.3, page 12 of the Deloitte Paper

For reasons noted in the answer to question 4 below, Anglicare's capacity to pay is at the cost of the services Anglicare provides to the community.

For example, the provision of aged care homes and services by Anglicare reduces the burden on the government's health system, with the funds derived from the operation of such homes being reinvested back into providing the services, the maintenance and operation of the homes, in addition to funding the provision of other community services (as discussed earlier in this submission) provided by Anglicare as part of its mission.

Accordingly, any reduction in the funds available for these types of aged care and community services, will potentially increase the burden on the government.

Further, given the overall nature and extent of the services provided by Anglicare to the community, a diminution in any funding provided for the services and programs it delivers will not merely be ascribed a dollar-for-dollar value, it will be far greater; potentially culminating in a reduction or cessation of the services currently provided by Anglicare, leading ultimately to greater community homelessness, crime and individual isolation and a greater burden on the local government.

4. *Do exempt institutions have the capacity to pass onto other for-profit entities who use the land, if the exempt institution was to make financial contributions towards local government services which they receive?*

Generally, no.

As mentioned above, legislative restrictions may impede Anglicare's ability to recover increased costs from residents of retirement villages, clients of aged care homes or residents of its affordable accommodation.

Furthermore, due to the economic circumstances of many who use Anglicare's retirement living, aged care and affordable accommodation offerings, any increased cost which is passed onto occupants, no matter how minor it may be, will detrimentally affect affordability and access for persons in need.

Anglicare acknowledges that the use of CIV as a method of rate calculation is generally accepted as it "*results in rates that correlate more closely with the benefits the ratepayer receives and the cost of providing council services, and is more equitable, sustainable and better understood by ratepayers*"²⁶. However, the Review only considers the use of the CIV method, from an ability to pay principle perspective, stating:

²⁶ Section 3.1 of the Review

Our draft finding is that CIV better meets the ability to pay principle than UV, as it is more highly correlated with the ratepayer's income and wealth, and both of these factors influence a ratepayer's ability to pay²⁷

This ignores any analysis under the benefit principle.

Accordingly, we consider that greater consideration of the application of the CIV method of rate calculation needs to occur, particularly in relation to where the net benefits of the land use to the community outweigh the cost to the community.

Further, the Review provides an additional equitable principle - "*intergenerational equity*"²⁸ - in support of the notion that rates revenue needs to grow over time to cover the cost of servicing new dwellings and a larger population. This statement, without more, lends little support to the contention for the diminution of the Public Benefit Exemption.

d. Sustainability

As with efficiency, the tenets of the principle of sustainability provided in the Deloitte Paper²⁹ assume a prevalence of the provision of exemptions which is not supported in the Deloitte Paper.

e. Cross-border competitiveness

The notions provided in support of permitting competitiveness between local governments³⁰, may equally support the need for not allowing individual local government's discretion when determining the application of rate exemptions. A unified approach across the State will ensure that all local governments will have a 'level playing field' when seeking the support from exempt organisations in providing community benefit.

f. Competitive neutrality

Although the notion of competitive neutrality³¹ is key to providing ultimately consumer choice of enterprises within a sector, the notion also needs to consider the principles applied to ensure such neutrality are applied consistently within the markets that the enterprises operate. For example, a regional not-for profit religious based operator of a retirement living village operates in a potentially far more limited socio-geography than a for-profit national provider of aged care services.

3. Other comments on proposed rate exemptions

The Review provides:

General exemptions should be based on land use not land ownership, and land used for commercial or residential purposes should not be exempt,

²⁷ See page 31 of the Review

²⁸ Section 2.3.2 of the Review

²⁹ Section 3.4, page 13 of the Deloitte Paper; see also section 2.3.4 of the Review

³⁰ Section 3.5, page 13 of the Deloitte Paper; this principle is not discussed or noted in the Review

³¹ Section 3.6, page 14 of the Deloitte Paper; see also section 2.3.5 of the Review

*regardless of who owns it. This will help to ensure that land used mainly to deliver private benefits is not exempt from rates*³²

Although Anglicare supports the general contention, it does not support the contention that all residential purposes are the same. To this extent, the Review identifies land being used as "Retirement Villages" as being potentially rateable³³.

Where the provision of a residential purpose provides a benefit to the community as determined by applying the benefit and capacity to pay principles discussed above, we suggest that the Public Benefit Exemption should continue to apply.

For example, where Anglicare acquires land for retirement village development or as affordable accommodation, although the land is owned by Anglicare, the use of the land would be constituted as use for residential purposes. The use should not be determined on its face, but further consideration should be given as to the purpose behind the use, which, in Anglicare's case, is for the provision of services to the community for a charitable and/or not-for-profit purpose.

The Review draws an example of how the levying of rates on non-government schools may result in higher fees and students switching back to government schools, which would result in the State Government having to raise additional funds through taxation.³⁴ A similar theory would apply to Anglicare's retirement village, aged care and affordable accommodation services. Any increase in rates levied:

- which is ultimately paid by residents, may potentially affect affordability for residents; and
- will set a precedent and potentially create opportunity for further taxation changes which will further reduce the services no-for-profit and charitable organisations provide to the community.

The net effect of the proposed rate system changes is to detrimentally affect the capacity for organisations such as Anglicare to deliver community benefitting services, most notably the Unfunded Services, through the diminution of funds that are reinvested into the community. With the reduction in these services, it is likely that the burden on the local government to provide similar services to the elderly or disadvantaged will increase.

We note that the Review goes some way to acknowledging this³⁵, however, the analysis provided does not take into consideration the totality of not-for-profit and charitable services provided for the benefit of the community.

³² Section 6.1 of the Review

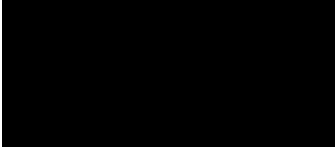
³³ Table 6.1 in section 6.2.3 of the Review

³⁴ Section 6.3.1 of the Review

³⁵ See Box 6.1 on page 76 of the Review

Anglicare appreciate the opportunity to provide this submission.

Yours faithfully



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