



Bellingen Shire
COUNCIL



Connected, Sustainable, Creative

Bellingen Shire Council

Submission to IPART – Review of Local Government Rating System

10 May 2016

INTRODUCTION

Bellingen Shire Council acknowledges the appointment of the Independent Pricing and Regulatory Tribunal (IPART) to review the rating system for Local Government in NSW.

The information provided in this document reflects Bellingen Shire Council's submission to IPART in response to the proposed review.

CONTEXT

In developing a response to the proposed review, Bellingen Shire Council (Council) has chosen to focus on the key issues it would like IPART to consider, particularly given the timeframe for IPART to review submissions.

Council also makes notification that the constrained timeframe, in terms of the consultation period, has not allowed, what Council would consider as, an appropriate level of conference with our elected members. As a consequence, this submission has not been subject to formal consideration by Council. A copy of this submission has however been circularised for consideration of Council. The submission will be subject to a report to the May Ordinary Meeting of Council.

Bellingen Shire Council has recently raised a number of issues in its recent Fit for the Future (FFF) submission presented to IPART in June 2015. In particular:

- Rate pegging;
- Non-rateable land; and
- Granting of pensioner concessions.

Council's submission is heavily influenced by the above issues specifically affecting the long term sustainability of our Shire. Based on this and the questions raised in the issues paper, Council provides the following comments:

ISSUES PAPER QUESTIONS AND RESPONSES

Within the above stated context, Council makes its submission and addresses the 'issues for stakeholder feedback' as outlined on page 5 of IPART's issues paper.

Issues Paper Section 4.3 – Rating Categories

Question 5: *What changes could be made to rating categories?*

Response: The Rate categories and sub-categories work generally well and provide flexibility to Council in setting differential rates on individual categories/sub-categories to reflect the level of resourcing required in particular areas.

Council recommends the Act be refined to allow the rating of bed and breakfasts, serviced apartments and holiday lettings under a separate sub-category to enable Council to generate income commensurate with the burden placed on local infrastructure. These properties are in direct competition with hotels and motels however are rated as per a single dwelling property. These higher-intensity properties place a greater strain on Council resources without an equivalent contribution.

Similarly a sub-category for the rating of mobile home parks and caravan parks that comprise multiple permanent residencies would enable a differential rate that provides a rate contribution proportionate with the burden on Council resources.

Issues Paper Section 4.5 - Rate Pegging and Special Variations

Question 7: *What changes could be made to the current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special rate variation process.*

Response: Historically, 35 years of rate pegging has constrained Councils to a maximum increase as specified by the Office of Local Government each year (traditionally between 2.3%-3.5%). Council's costs, year on year, have increased much higher than the rate peg, directly impacting on service delivery and having a cumulative negative impact on Council's 'bottom line'.

Many of Council's major expense items are related to construction costs or services that are often labour intensive. These costs are often in contrast to CPI. Historically, past construction indices have exceeded 5%.

Council supports the Advisory Panels option that rate pegging be replaced with rate benchmarking or that the OLG introduce the notion of earned autonomy whereby Councils demonstrating consistent high performance may be granted complete, or partial, exemption from rate pegging.

The current Special Rate Variation process is complex and resource intensive, particularly for smaller, rural Councils. As a minimum, Bellingen Council supports the streamlining of this process.

As an alternate, partial relief from rate pegging would assist. To contextualise, IPART suggested increased flexibility for councils to set rates within a margin of 3% above the rate-pegging limit. The NSW Independent Local Government Review Panel considers that a margin of up to 5% would be more realistic where councils need to make significant short-medium term inroads into infrastructure backlogs and correct operating deficits.

Issues Paper Section 5.1 - Exemption of Rates

Question 10: *Are the land uses currently exempt from paying rates appropriate?*

Response: Council has 57% of its Shire that is not able to receive income from rates. Of this 57%, 32.44% is National Parks, 21.35% is State Forests, 0.85% is Crown Land and 2.36% other non-rateable land. This places significant burden on Councils resources.

Of particular concern for Council is the exemption for State Forests. Forestry Corporation is a commercial entity that competes in an open marketplace and utilises public infrastructure maintained by Council, resulting in a detrimental impact on public assets such as the road and bridge network. Giving councils more flexibility to raise rates to meet the increasing costs will certainly enable them to better meet service level expectations, achieve financial sustainability and address the infrastructure maintenance and renewal requirements into the future.

More specifically, Council strongly advocates for a revision in the arrangements for the rating of land owned by other levels of government, in particular, where either the government

entity competes in the open market place or in the case of a national park, where the entity contains an income generating facility.

In addition, in terms of other non-rateable properties ie Crown Land not privately leased, religious organisations, charitable bodies, public benevolent intuitions, local Aboriginal land councils and schools comprise 238 properties valued at approximately \$35,012,505 with rates foregone of over approximately \$216,000 or 3.2% of the 2015-16 rate income. Bellingen Shire also has 10km of coastline; typically this is Crown land but it is the Shire's responsibility to maintain it. Whilst it is a wonderful asset to the Shire, enjoyed by locals and visitors alike, coastal erosion, salt laden air, fragile ecosystems and high public demand for facilities make the coastline an inherently expensive strip of land in which to provide and maintain infrastructure.

Council requests IPART consider the removal of rating exemptions as part of its review.

Question 11: *To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?*

Response: Local Governments in NSW has been significantly impacted by cost shifting from other levels of government where the responsibility for, or the costs of, providing a service is shifted from State and Federal governments to local government without the provision of corresponding funding or adequate revenue raising capacity.

Local Government NSW (LGNSW) reports that, across NSW, cost shifting from the State and Federal government for 2011/12 equated to \$521 million or 5.63% of local government's total income before capital.

For rural councils, the cost shifting percentage is 3.95% which, for Bellingen Council, equates to \$1.076 million. It should be noted that the burden of the requirement to raise rates could be alleviated if such cost shifting did not exist.

Council requests that IPART consider the significance of this when reviewing the issues surrounding other state government tax exemptions.

Issues Paper section 5.2 - Concessions for Pensioners

Question 12: *What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?*

Response: Bellingen Shire has a high proportion of pensioner and concession holders, with 24% of rateable customers receiving a rebate valued at around \$230,000 per year. By way of comparison across New South Wales (NSW), Bellingen ranks in the top 23% of the highest number of pensioners per residential assessments. It is noted that NSW is the only state in Australia that provides a pensioner rebate.

It is recommended that funding of this concession should not be a responsibility of Local Governments and it is open to all reforms that make appropriate funding arrangements.

CONCLUSION

Bellingen Shire Council recognises the need for local government rating reform. It is hoped the reform process will assist councils to better deliver services to their communities and become financially sustainable in the long term.

Council trusts that IPART will take a holistic view and approach to the review of the rating system and carefully consider the significant issues effecting rural NSW local government areas.

Bellingen Shire Council thanks IPART for the opportunity to present a submission on its issue paper into the review of local government rating system.

Submitted by:

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GENERAL MANAGER
12/05/16