

# Review of the Local Government Rating System

## Submission to the Independent Pricing and Regulatory Tribunal (IPART)

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**Combined Pensioners & Superannuants Association of NSW Inc (CPSA)**

**Address:** Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

**Phone:** (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

**Email:** cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 117 branches and affiliated organisations with a combined membership of over 31,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.*

## **Key points**

The real value of these pensioner council rate rebates started to be eroded as soon as they had been put in place. The rebate is made up of fixed dollar amounts, which have not been indexed since 1993.

The current system of rate rebates is very unfair to pensioners living in rural and regional NSW. Pensioners in LGAs in Sydney, the Illawarra and the Blue Mountains receive a rate rebate totalling \$880 p.a., whereas LGAs in Newcastle and the Lower Hunter get \$560 p.a. Pensioners in rural and regional LGAs get the lowest rebate at \$425 p.a.

CPSA is calling for a new system of rate rebates that is fair and equitable across NSW and that keeps up with increases in rates.

## **Recommendations**

1. That the rebate for councils' ordinary rates and charges for domestic waste management services be set at 50 per cent.
2. That the rebate for councils' water supply special rates or charges be set at 100 per cent of the water supply special rates or charges excluding any usage charges;
3. That the rebate for councils' sewerage special rates or charges be set at 83 per cent of the sewerage special rates or charges excluding any usage charges;
4. That, where councils generate revenue for stormwater management, councils levy stormwater special rates or charges;
5. That the rebate for councils' stormwater special rates or charges be set at 50 per cent of stormwater special rates or charges excluding any usage charges.
6. That any means test for the pensioner council rate rebate exclude the value of owner-occupied property.

## Submission

CPSA welcomes the opportunity to comment on IPART's Local Government – Issues Paper as part the Review of Local Government Rating System.

CPSA's policy interest in the review of the NSW Local Government rating system is focussed on the council rate concessions available to Age Pensioners and Veterans.

CPSA notes and appreciates the NSW Government's commitment to providing rate concessions to pensioners, reiterated in March 2016 by the Premier, the Hon Mike Baird MP. Successive NSW Governments have demonstrated their commitment to assist Age Pensioners and Veterans in the areas of council rates, utility charges and public and private transport concessions.

CPSA has advocated for change in the area of council rate rebates for many years, noting that the concessions mandated in the Local Government Act 1993 were inadequately structured in that they set concessions at 50 per cent up to a maximum amount in nominal dollar terms. CPSA has used every subsequent periodic reviews of the Local Government Act 1993, and indeed every other opportunity it could find or create, to point out that the real value of these concessions started to be eroded as soon as councils applied the maximum rebates. It would have been logical for an indexation mechanism to have been created to adjust these maximum rebates every time rates were adjusted. CPSA's position since 1993 has been and continues to be just that.

To illustrate to what extent the real value of the pensioner council rate rebate has been eroded, by applying CPI increases on an annual basis to the maximum concession amounts, the current water and sewerage maximum rebates of \$87.50 p.a. each would be \$156 each and the general rate rebate maximum of \$250 p.a. would be \$447. In total, the pensioner maximum rebate would be \$759 p.a. if it had been indexed according to CPI.

In Local Government Areas (LGAs) where the council is not the water authority, different conditions exist. Pensioners in LGAs in Sydney Water Corporation's area of operations receive rebates totalling \$880 p.a., well in excess of total maximum council rebates had they been indexed. Pensioners in LGAs in Hunter Water Corporation's area of operations, receive \$562 p.a., significantly more than pensioners in LGAs where council is the water authority, but below the annual total amount of council rate rebates had they been indexed.<sup>1</sup>

While LGAs that are also water authorities have moved to the type of service and usage pricing policies applied by Sydney and Hunter Water Corporations, the value of the

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<sup>1</sup> Applicable to free-standing residences and assuming the maximum council rate rebate available of \$250 is received.

rebates they give pensioners on water and wastewater charges does not relate to the amount of the service charges. Incidentally, neither does the Hunter Water Corporation pensioner rebate, which is flat and has been increased on an ad hoc basis only once since its inception.

While CPSA appreciates that IPART's current review is about council rate rebates and that the rebates given by Sydney and Hunter Water Corporations fall outside that review, the fact remains that the way council rate rebates relating to water and sewerage services are structured and granted is inconsistent with the way they are structured in the greater Sydney area and do not take into consideration (1) how the water and wastewater charges are calculated; and (2) how high these charges are relative to charges in other LGAs. As a consequence, the relative degree of assistance given through the council water and wastewater rebates varies from LGA to LGA.

If in calculating the council water and wastewater rebates, a methodology similar to the one adopted by Sydney Water were to be used, assistance would be proportional to the amount of council and water and wastewater charges and would also take care of the lack of indexation of council water and wastewater rebates that currently exists. Only Sydney Water's rebate is indexed as it is a percentage of the water service charge (100 per cent), sewer service (83 per cent) and stormwater service (50 per cent).

The general council rate rebate should be set as a percentage of ordinary rates and charges for domestic waste management services. CPSA suggests that a percentage of 50 would be appropriate, given that the amount of the ordinary rates and charges rebate set at \$250 in 1993 was based on the idea that pensioners should pay half the full council general rate.

CPSA has noted the option of a rate deferral scheme, which IPART flags as an option to replace the current system of pensioner council rate rebates. CPSA points out that such a system would encumber owner-occupied property and complicate, if not prevent in many cases, a move to ageing-friendly housing, including residential aged care. It should be noted that recent reform in the aged care sector has strengthened the ability of residential aged care providers to demand accommodation bonds, which are generally funded through the sale of owner-occupied property. Encumbering a property with potentially twenty to thirty years of council rates is likely to make it very difficult to impossible for people to move into residential aged care or to downsize.

CPSA is not opposed to means testing for council rate rebates, but points out that including owner-occupied property in any such test will in an overwhelming majority of cases not reflect ability to pay. The Productivity Commission in its 2008 report *Assessing Local Government Revenue Raising Capacity* notes as much.

CPSA's recommendations to IPART's review are:

1. That the rebate for councils' ordinary rates and charges for domestic waste management services be set at 50 per cent.
2. That the rebate for councils' water supply special rates or charges be set at 100 per cent of the water supply special rates or charges excluding any usage charges;
3. That the rebate for councils' sewerage special rates or charges be set at 83 per cent of the sewerage special rates or charges excluding any usage charges;
4. That, where councils generate revenue for stormwater management, councils levy stormwater special rates or charges;
5. That the rebate for councils' stormwater special rates or charges be set at 50 per cent of stormwater special rates or charges excluding any usage charges.
6. That any means test for the pensioner council rate rebate excludes the value of owner-occupied property.