

GWYDIR SHIRE COUNCIL – REVIEW OF EQUITABILITY OF THE CURRENT RATING STRUCTURE

Purpose

The Gwydir Shire Council's general purposes rating structure for 2015-16 has been reviewed as to the level of equity it provides between the three categories of ratepayers. That is, that it contains the quality of being fair and impartial.

Legislation

The objectives of the *Local Government Act, 1993* with regard to rating are set out in the Office of Local Government's 'Rating and Revenue Raising Manual' as to:

- provide a system of local taxation, based on rates levied on property, which is simple, fair, broadly uniform, and which promotes local accountability
- permit the use of particular rates for the provision of specific services or facilities
- provide that councils will annually justify to their community their proposed revenue raising decisions in an open manner
- allow reasonable flexibility in the administration of the local taxation and charging regime
- reinforce councils' accountability and responsibility for local revenue raising to the local community to provide for councils to set their own fees and charges for services.

The council's charter at section 8 of the Act includes the following:

"to raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investments and, when appropriate, by borrowings and grants".

Rating Strategy

The Council must balance its service levels with the needs and expectations of the community and set appropriate levels of rates and charges to adequately fulfil its roles and responsibilities.

The following factors influence the level of rates and charges that the Council sets each year:

- Distribution and level of Commonwealth and State funding
- Socio-economic profile of the area (capacity to pay)
- User-pays policies
- Level and range of services including the level of regional responsibility
- Current economic environment

Rates are not fees for services. They constitute a system of taxation. In the Commonwealth and State systems, individuals and businesses that pay the highest proportion of taxes do not necessarily consume the most services. Local Government taxation decisions should be equitable but this means not only taking into account of who benefits from services but also having regard to differences in capacity to pay between different classes of ratepayers.

Capacity to Pay

The aim of rates and charges decision-making is to spread the burden fairly across the community with those that have the greatest capacity to pay paying more than those with a lesser capacity to pay.

Benefit Principle

Council must balance capacity to pay with the benefit principle acknowledging that some groups of the community have more access to and benefit from specific services.

Rating Structure of Gwydir Shire Council

The Council has adopted an ordinary rating structure consisting of a base amount to which an ad valorem amount is added.

Section 500 of the *Local Government Act, 1993*, provides that the amount specified as the base amount of a rate (or the base amount of the rate for a category or sub-category of an ordinary rate) must not be such as to produce more than 50 per cent of the total amount payable by the levying of the rate (or of the rate for the category or sub-category concerned) on all rateable land subject to the rate (or the rate for the category or sub-category concerned).

Section 536 of the *Local Government Act, 1993*, provides that in determining a base amount of a rate, the council must have regard to (but is not limited to) the following:

- its general administration and overhead costs
- the extent to which projected ad valorem rates on individual properties do not reflect the cost of providing necessary services and facilities
- the level of grant or similar income available to provide necessary services and facilities
- the degree of congruity and homogeneity between the values of properties subject to the rate and their spread throughout the area

The Council's Ordinary rating structure for 2015-16 consists of three categories:

Farmland

Business

Residential

There are various sub-categories within these three categories.

Table 1.1 sets out the number of assessments and ordinary rate income for each category for 2015-16 and the associated percentages.

Table 1.1 Number of assessments and ordinary rate income by category for 2015-16

| Category | No. of Assessments | Percentage | Ordinary Rate Income | Percentage |
|--------------|--------------------|-------------|----------------------|-------------|
| Farmland | 1,122 | 37% | \$5,254,866 | 80% |
| Business | 223 | 7% | \$262,742 | 4% |
| Residential | 1,692 | 56% | \$1,050,966 | 16% |
| Total | 3,037 | 100% | \$6,568,574 | 100% |

This table puts into perspective that the majority of the overall ordinary rate burden falls on the farmers even though the percentage reduced from 84.43% in 2014-15 to 80% in 2015-16.

Table 1.2 sets out how the ordinary rate income was distributed between the categories in 2014-15 and 2015-16.

Table 1.2 Distribution of the ordinary rate income between the categories in 2014-15 and 2015-16

| Category | 2014-15 | 2015-16 |
|--------------|-------------|-------------|
| Farmland | 84.43% | 80% |
| Business | 2.28% | 4% |
| Residential | 13.29% | 16% |
| Total | 100% | 100% |

Services provided by the Council

It can be quite confidently argued that the services provided by the Gwydir Shire Council and its expenditure on those services are largely to the benefit of the business and residential ratepayers and therefore the redistribution between categories is equitable.

To Residential Ratepayers

In this respect, the services that benefit the residential ratepayers include:

The Gwydir Learning Region which has been successful in having relevant Certificate level courses conducted in both towns rather than from remote centres. This has enabled a significant number of long term unemployed people to not only gain tertiary qualifications but to gain employment in the local hospitals, aged care facilities and local businesses.

Care Program (including a service provided in an adjoining Shire) and a Community Transport Program;

Two 'walk in, walk out' Medical Centres including visiting specialist services – Bingara and Warialda. Each centre has over 5,000 registered patients and provides a service beyond simply the Shire's boundary;

The Council provides two preschools, one a mobile preschool, plus subsidised support for a third preschool. The other range of children's services include two Toy Libraries, a Youth Worker and a Structured Playgroup Worker;

Three Trade Training Centres across the Shire in Primary Industries, Hospitality and Automotive;

The Council is a Registered Training Organisation. The Gwydir Learning Region RTO is an innovative means for aligning skills development with local employment skills shortages. For example, with a growing number of older people in the area there was a need for more aged care workers. A course in Aged Care and Nursing Certificate III level was designed for school and mature aged students. To date almost 200 residents have qualified through this initiative;

The purchase and refurbishment of an unused Service Station which is operated by a private sector lessee thus ensuring a convenient, competitive 24 hour fuel outlet in Bingara, especially for diesel;

The direct provision of an aged care hostel plus low income and independent aged care housing in both Warialda and Bingara.

The Council provides building infrastructure or the point of contact for various agencies such as Roads and Maritime Services, Centrelink and CountryLink at both Bingara and Warialda.

To Business Ratepayers

Likewise, the business ratepayers benefit from the direct expenditure by the Council on their services or products and indirectly through the wages paid by the Council to its employees.

The business ratepayers also benefit from the Council's significant focus on tourism and its caravan parks in Bingara and Warialda. There is also considerable support by the Council of the Showgrounds in those same towns.

The Roxy Theatre complex in Bingara also provides a source of income for a number of businesses through catering for conferences and events held at the complex and associated accommodation.

Capacity of Business and Residential Ratepayers to Pay

Table 1.3 compares the percentage of ordinary rates paid by each category at 31 August 2014 and 31 August 2015.

Table 1.3 Comparison of percentage of ordinary rates paid by each category at 31 August 2014 and 31 August 2015.

| | 2014 | 2015 |
|-------------|------|------|
| Farmland | 27% | 28% |
| Business | 62% | 62% |
| Residential | 32% | 33% |

It is obvious from the above table that there has been no reduction in the percentage of ordinary rates paid by the business and residential ratepayers between the years, notwithstanding the 15% increase in the Council's general rate income and the redistribution of rate income between the categories.

Additionally, while there was significant opposition to the Council's intention to seek an above rate peg increase in its general rate income for 2015-16, there has been little, if any, public reaction once the rate notices were issued in July 2015.

Conclusion

Based on the above, there is clear evidence that the general purposes rating structure adopted by the Council for 2015-16 is equitable in its distribution of the rate burden between the three categories of ratepayers.



Norm Headford B.Bus. CPA (Retired)

LG Finance Contractor

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