

Hawkesbury City Council's Submission on Review of the rate peg to include population growth

Council agrees in principle that an amended methodology to incorporate population growth in the rate peg calculation is a positive premise. It is to be noted however, that Council's preferred stance in relation to the rate peg is that rate-pegging should be discontinued, in line with submissions made in relation to the Review of the Local Government Rating System.

It is Council's view that the determination of the appropriate annual rates increase should be made by each Council with the objective of ensuring that the community's expectations are met in a financially sustainable manner, over the long term. Increases would be in line with the required amount as identified in Council's Integrated Planning and Reporting (IP&R) documentation, developed through community consultation.

Council also believes that there is an inherent shortfall in adequate funding for current populations (residential, commercial and tourist), as a result of the rate-pegging system that will not be addressed by an amendment to the rates peg to incorporate population growth. There are several inputs to this shortfall, including:

- Increases in rate pegging based on a state-wide average of a predetermined set of council costs, is not reflective of each council's individual circumstances;
- Increases in the rating base resulting from supplementary rates has a poor reflection of the additional costs associated with the additional demand generated;
- The expectations of the constituents of each council differ and are always increasing in relation both to the quantity of service, the range of services and the speed at which services are provided; and
- The costs of compliance, changes in legislation and reporting requirements (e.g. swimming pool regulations, enhanced asset accounting requirements, external audits conducted by the NSW Audit Office) have increased substantially over the previous 5 to 10 years and continues to increase, without any increase in the income base.

The application of a state-wide rate peg, based on the average costs of predetermined set of council costs, does not reflect the costs and expectations of each individual council's community. Because of this, it does not enable councils to provide appropriate service levels in a financially sustainable manner.

Additionally, the current use of Unimproved Land Value does not apportion the rates burden to reflect the likely consumption of council services. This valuation basis provides a poor linkage between use of services, affordability to pay and the rates paid. Council supports the recommendation to transition to a Capital Improved Value mechanism to apportion rates, as outlined within the Review of the Local Government Rating System.

As submitted to the Review of the Local Government Rating System, it is Council's stance that a property should be rated regardless of ownership. Irrespective of ownership, the users of these properties create a demand on council services that are currently not covered by rates income.

The submission also outlines that the adjustment for increases in population should be greater for lower growth councils. Higher growth councils have higher population density, therefore the costs of service provision are lower per capita are lower, as a result of economies of scale.