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Comment on Draft Operational Plan 2023-24

Having read the Draft Operational Plan it is evident that Council faces a difficult task in maintaining services given increased costs and cost shift of responsibilities from State Governments to Local Government .

The document is well laid out and easy to follow and I have no real comment on the sections of the plan that detail the anticipated operations and the budget estimates for these. I believe Council to be doing a good job at delivering, given the challenges it faces.

My comments are restricted to Part 4 of the Draft Operational Plan being the Statement of Revenue 2023-24, in particular the policy adopted by Council in determining rates, and to the comment made in the Uralla Shire Council Special edition Newsletter dated 9 June 2023, where it is noted that that *the large increase in land values for the farmland category by the Valuer General will see an increase in Farmland rates of 11% . It is also noted that the reduction in Residential rates will be offset by the increase in service charges.*

I believe there is inequity in this rating policy adopted by Council, which results in farmlands contributing an additional 11% in general rates , whilst residential categories see a 9% reduction in general rates . It is true the residential sector has an 11% increase in charges for services, however this should not be offset by reducing the general rate paid by the residential category. To do so is in fact a cost shift to the farmland category, with a reduction in the general rate paid by residential properties being used to cushion the blow of increased service charges to this sector.

Only those properties that receive, or are capable of receiving, services are charged (user pays principle) and Council have determined that it is necessary to increase charges for Water and Sewage access fees and Waste collection services in order to maintain the infrastructure that provides these services. The net result is an increase in 11% in service charges. For an average property this is an additional $168.45 per annum (made up of the $20.75 increase in water access, $101.70 increase in sewer access and $46 waste collection charges) .

Council is allowed under IPART to increase its general rate by 3.7% per year. Rather than apply this 3.7% increase to each rating category, by adjusting the ad-valorem rate of each rating category , Council has instead calculated a common ad-valorem amount across all categories that will give it its full allowable 3.7% increase – meaning those categories that have realised the largest increase in land values, will end up carrying a disproportionate share of the IPART allowable increase.

Farmland has had the largest increase in land values (an average of 80%) and hence will see an increase in rates of 11% on average. Residential and Business rating categories saw an increase in land values (an average of 47%) but see a fall in general rates of 9% , with Rural Residential seeing a reduction in the general rate of 2%.

This reduction in general rates for the non-farmland categories is not foregone by Council – rather as Council has applied the full 3.7% allowable increase to its total rates achievable, the farmland sector will contribute the amount foregone from the non-farmland categories. Thus, the farmland sector is in effect cross subsidising the services provided to other rating categories.

The effect on the "average" assessment for the farmland and residential categories of the rating policy adopted by Council is:

	Farmland	Residential
2022/23 Average rate	$4100	$624
2023/24 Average rate	$4481	$566
Change in average rate	$381.00 (11% increase)	$-58.00 (9% decrease)
Change in service charges	NA	$168.45
Increase in environmental levy	$20.00	$20.00
Net increase	**$401.00**	**$130.45**

Compare this to the impact of a 3.7% increase in general rates to each category if a differential ad-valorum rate had been applied so that each rating category increased by 3.7%

	Farmland	Residential
2022/23 Average rate	$4100	$624
3.7% increase in average rate	$151.70	$23.00
Change in service charges	NA	$168.45
Increase in environmental levy	$20.00	$20.00
Net increase	**$171.70**	**$211.45**

As an observation, the second scenario which uses a differential rate to achieve a 3.7% increase for each rating category provides a more equitable split to the increase necessary for Council to maintain its operations. It would appear that Council was reluctant to increase residential rates and charges by $211, fearing the backlash that would occur if it did so. However, it has approved a policy that results in the farmland sector seeing an average increase in general rates and charges of $401, whilst the residential sector sees an average increase of just $130.45, even though their service charges have risen by $168.45. In other words, the farmland category increase is more than three times that of residential category and is in fact cross subsidising the services provided to the non-farmland categories.

Of course, the average rate is just that – an average – some rural properties have in fact seen a 125% increase in the value of their properties. These properties will see well in excess of an 11% increase in their rates.

As a personal example under the current rating system rates on our farmland properties the ad-valorem will increase from $25,135 per annum to $28,247; an increase of $3113 (12.4%). A property within town that we have an interest in will see a fall in the ad-valorem rate from $235.93 to $210.24 a fall of $25 (11%). Clearly our farmland properties are subsidising the rates of the intown property.

Also of note is that the common ad-valorem rate policy also impacts on the ability to raise additional funds from the base rate component of the general rate, as it is only allowable to have a base rate being less than 50% of the general rate. Hence if a category is seeing a reduction in the amount garnered from the ad-valorum charge, then the base rate must also decline. This base rate must be applied equally to all rating categories.

The base rate decreased from $310 to $282.80 , or $27. 20 per assessment . Multiplied by the 3091 assessable properties in the Shire this is a reduction in the general rate of $84,075. Again, Council have not forgone this amount – rather it is picked up by an increase in the rates received from the ad-valorum amount. As it is the farmland sector that is the only one seeing an ad-valorem increase it once again is picking this up and thus is cross subsidising the other rating categories in the general contribution to the running of the Shire.

Farmland represents only 19% of the assessable properties within the Shire, however it contributes 62% of the General rates collected by Council. The remaining assessable properties (81%) contribute only 38% of the general rate, plus also pay service charges to offset the cost of the provision of services available to them.

Over the past 6 years (18/19 to 23/24), the use of the common rate ad-valorum charge has resulted in the share of general rates provide by the farming sector rise from 54% to 62%. The remaining assessable properties share of general rates has fallen from 46% of the general rates collected by Council to 38%.

Thus, over the years the farmland sector has borne an inequitable and increasing share of the cost of maintaining the general amenities, business infrastructure and equipment of the council, as well as subsidising the charges for services they cannot utilise.

Land values do not provide an equitable basis for the determination of rates – however it is the process that currently must be used. Council is unable to change this – however it does have the power to mitigate inequitable rate rises between rating categories, by applying a differential ad-valorum rate per rating category. Unless this occurs, we will continue to see the farm land sector contributing disproportionally to the general costs of running the Shire as well as absorbing the reduction in rates of other sectors, the result of which is the cross subsidization of the provision of services that the farm sector cannot and does not utilise.

Thank you for the opportunity to comment on the Draft Operational Plan, and I would welcome the opportunity to provide further explanation of the points I raise via a presentation to Council.

Yours Sincerely

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