



# Lithgow City Council Rating Review

*Technical Paper: Part of the Our Place,  
Our Future Program*

July 2022

## About FTG

We are a network of strategy and policy experts in land use, economic transformation, transition management and stakeholder engagement who come together for one purpose: **to support your leadership with our expertise on the future.**

We bring our networks to drive positive change for Australia's future. We will provide you with the tools you need to realise your ambitions.

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## **EXECUTIVE SUMMARY**

FTG has been engaged to undertake a review of Lithgow City Council's land rating.

The approach adopted has been to assess general revenues in the context of existing levels of service, equity considerations and potential productivities and savings. It is assessed that there is a shortfall of **\$4.718 million** in Council's General Revenues available to meet existing agreed levels of service.

Council has maintained a decade of financial deficits which grow in all future periods.

The consequence has been a significant growth in Council's infrastructure backlog. If there is not a structural reset in Council's finances, future generations will be required to either accept lower levels of service or substantially increase revenues to resolve a sizeable and growing infrastructure backlog.

It is recommended that an additional **\$1.25 million** of annual revenues be raised to meet enhanced levels of service expenditure relating to governance, strategy, capacity building, contingencies and transitions management.

It is also recommended that Council's Notional General Income be increased by **\$5.968 million** or **42%** by SRV to meet the shortfall and the recommended additional levels of service delivery.

A new business sub-category for quarrying should be introduced together with a range of other changes to Council's Rating Policy to distribute the rating burden more equitably.

The proposed SRV is necessary to put Council in the strongest possible position to meet the challenges of the future. The increase in Notional General Income is both affordable and proportionate both in the Lithgow context and by comparison with very similar local government areas.

## 1. KEY TERMS AND ABBREVIATIONS

<b>Term</b>	<b>Definition</b>
<b>Act</b>	the NSW <i>Local Government Act, 1993</i>
<b>Comparable Councils</b>	Singleton, Muswellbrook Shire and Mid-Western Regional councils
<b>Council</b>	Lithgow City Council
<b>Domestic Waste Management Services</b>	the same meaning it has in the Act
<b>FTG</b>	Future Together Group Pty Limited
<b>General Revenues</b>	the revenues of Council's General Fund
<b>Guideline</b>	the OLG's Council Rating and Revenue Manual
<b>IPART</b>	the NSW Independent Pricing and Regulatory Tribunal
<b>IPR</b>	the integrated planning documents required by Part 2 of Chapter 13 of the Act
<b>LGA</b>	the same meaning 'Local Government Area' has in the Act
<b>LTFP</b>	Council's Long Term Financial Plan
<b>Notional General Income</b>	the same meaning it has in the Act
<b>OLG</b>	the Office of Local Government within the NSW Department of Planning, Infrastructure and Environment
<b>Operational Plan</b>	Council's 2021/2022 Operational Plan
<b>Own Source Revenue</b>	Council revenue derived from all operational sources other than grants and contributions
<b>Rating Policy</b>	Council's Rating Policy
<b>Report</b>	this report
<b>RMS</b>	NSW Roads and Maritime Services
<b>SRV</b>	Special Rate Variation and has the same meaning as that term has in the Act
<b>TCorp</b>	the NSW Treasury Corporation.

## 2. INTRODUCTION

FTG has been engaged to undertake a review of Council's land rating that aims to inform the consideration of the principles set out in Chapter 3 of the Act as well as the IP&R documents required by Part 2 of Chapter 13 of the Act.

It is understood that a comprehensive review of Council's rating has not been undertaken since at least the creation of the presently constituted Council in 2004 – although it is probable that a review hasn't occurred since the previous amalgamation in 1978.

During that time, there have been significant demographic changes, particularly as the community ages. There have also been significant changes in industry mix and rural land use. For all those reasons, it is timely that a review be undertaken.

Councils in NSW are purposefully established as political bodies with the understanding that decision-making by local communities, including the decision around rating, is best arrived at by a local council working in close collaboration with the community it serves. One of the most important policy settings that a community, through its elected Council makes, is its rating policy.

The rating discretion is, generally speaking, a very broad one. Regulation of the rating system – by OLG and IPART – is not so much concerned with the merit of the policy settings but assurance of the qualitative aspects of the consultations and processes deployed to arrive at those settings. Particularly, the regulators are concerned to ensure that a community firmly understood the information being provided to it, the effect of any proposal, and that it had a fair opportunity to comment and engage in the process. The regulators are also concerned to ensure that considerations such as affordability, productivity and intergenerational equity were also carefully understood and considered.

The question as to what should be raised is ultimately, therefore, a political one. There are various scenarios presented in this report to inform Council's decision-making. One such scenario, for example, is the maintenance of existing levels of service and another scenario includes a relatively modest range of additional levels of service to strengthen Council and its community.

### 3. METHODOLOGY

Arriving at a rating structure is a complex process with considerable feedback loops between the rates raised, levels of service, affordability, intergenerational equity and anticipated productivity gains in future periods.

To address the interrelatedness of the considerations whilst considering the issues in a logical and orderly way, a 'base case' has been derived from the *status quo* in terms of the level of service and then other considerations have been layered on top.

The Report comprises five parts described in sections 3.1 to 3.5 below.

#### 3.1. General Revenues: Identifying what is required to meet existing levels of service

What is required to meet existing levels of service has been derived from the operating budget and financial statements. The financial statements are the best evidence of the agreed levels of service and costs of delivering those services as adjusted by usage and cost throughout the financial year. The financial statements are independently audited.

For road asset maintenance, consideration was also given to the documents that underpin the financial statements.

Comparative analysis against like councils was undertaken as a means of validating the outcomes rather than for the purpose of sourcing an answer.

#### 3.2. Productivity, savings and user fees

Before resort to varying the Notional General Income, potential productivity, savings, or other revenue options available to Council were explored.

For this exercise, consultations across the Council operation were undertaken.

This methodology is, of course, no substitute for individual business unit reviews, but such reviews are lengthy, disruptive, and expensive tasks that are best undertaken across councils over a four or five-year rolling program.

### **3.3. The rating structure**

The analysis examined the statutory and Guideline considerations. Of particular consideration was the consumption of Council resources by various existing and potential rating categories and sub-categories. It is emphasised that the rating discretion is a broad one and the data serves only as a guide.

The discretion is purposefully a political consideration and not designed to tax 'neatly' for the consumption of Council resources. After all, some Council resources are enjoyed by people not liable for Council rating – including State agencies, persons from outside the LGA and many others.

Affordability and intergenerational equity are critical considerations in any review of the rating burden. We consider issues relating to the capacity to pay for various existing and potential rating categories and sub-categories.

Again, comparative analysis was undertaken as a means of validating the outcomes rather than for the purpose of sourcing an answer.

### **3.4. Additional levels of service**

Consideration was given to where additional resources might build capacity in Council's organisation, and which might improve its financial sustainability or performance in future periods. Comparative data was used to assess the costs of these, and recommendations made as to how the burden of any additional rating might be distributed.

The likely burden imposed upon future generations and resources available to future generations to appropriately manage anticipated industrial changes within the LGA was considered. How the mining and business rates associated with thermal coal power generation are likely to change over the next ten years was carefully considered, as well as the consequences of those changes for the general rating.

### **3.5. Options, incidence and implementation**

A 'base case' is presented with other options derived at by accepting or not accepting potential additional expenditures. The likely tax or rating incidence of the recommendations on each of the proposed categories and sub-categories is set out and recommendations concerning implementation made.



## 4. GENERAL REVENUES

Identifying what is required to meet existing levels of service

TABLE 1 – *General Revenue Findings*

FINDINGS
1. There is a structural annual shortfall in Council’s General Revenues of <b>\$6.018 million</b> at existing agreed levels of service before adopting available productivity, savings and other measures.
2. Council is not financially sustainable at existing agreed levels of service in either the short or long term.
3. Lithgow’s Notional General Income is very low compared with Comparable Councils.
4. Council’s road maintenance budget allocation is approximately \$500,000 less than that required to meet the associated level of service expense.
5. A review of the General Fund cross-subsidy of the Domestic Waste Management Service should be undertaken as a priority. It should include, without limitation, a consideration of overhead, depreciation, remediation, and amortisation expenses.
6. Plant allocation costs should be reviewed to ensure that Council is receiving value for money in the use of its plant.

## **4.1. General Revenues and Own Source Income**

Council’s General Revenue consists of land rates, other rates and charges, user charges and fees, interest and investment revenues, grants, and contributions, ‘other revenues’ and ‘other income’.

The General Revenues of a Council should be sufficient to meet Council’s General Fund expenses at agreed levels of service over time.

The definition given by TCorp of financial sustainability in the local government sector is helpful in this context:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community<sup>1</sup>.

Given the financial challenges facing other levels of government, a council should aim to be financially self-sufficient from Own Source Revenue.

Recurrent untied grants and contributions are an exception to that general rule. The largest of these is the Financial Assistance Grant which is provided by the Federal Government to the State Government for distribution to local government as part of a council’s structural operating revenues.

The Federal Roads to Recovery Grant has been treated as operating revenue for the purpose of the analysis because it is largely untied and legitimately sits in diminution of the operating revenue otherwise required to fund asset renewal/depreciation. Indeed, it has invariably been put to that purpose by Council and is, accordingly, accounted for as an operational revenue. Council received \$1.2 million in Roads to Recovery Funding.

For modelling purposes, it is assumed there will be no real increases in ongoing funding from other levels of government.

## **4.2. The General Fund operating result (before capital grants) and the structural result**

Capital grants have largely been removed for the purpose of analysis because they are not typically available to fund operational expenses. Council’s General Fund operating result (before capital grants) is set out in the following table.

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<sup>1</sup> *Financial Sustainability of the New South Wales Local Government Sector*, TCorp, April 2013 at p. 5.

TABLE 2: *General Fund operating result before capital grants*

	2021	2020	2019	2018
General Fund operating result	(\$1.963m)	(\$3.930m)	(\$3.711m)	(\$2.525m)

The results do not tell the full story of Council’s financial sustainability at existing levels of service, however, because of several significant ‘one-off’ revenues and expenses and the need to consider an apparent shortfall in road maintenance funding.

To derive a structural result, we have removed several ‘one-off’ revenues and expenses particularly relating to significant ‘one-off’ operating grants.

A more detailed examination of road maintenance funding has been undertaken based upon existing levels of service and typical RMS allowances for each kilometre of maintained road.

### 4.3. Significant ‘One-off’ untied operating grants

Council also received \$1.117 million under the Local Roads and Community Infrastructure Program from the Federal Government in 2021 which is not budgeted in future Federal Government estimates. Council accounted for the funding as an operational grant.

This item has been removed to arrive at a structural operating result for the purpose of the analysis.

### 4.4. Road maintenance

At the time of writing, Council’s asset management planning was not yet finalised. This work is expected to provide much better information about the quality of existing road assets by undertaking surveys of pavement depth and strength across the network. It will also clearly articulate the level of service for road maintenance which is not otherwise recorded in policy.

In consultations with Council staff, there was considerable concern as to whether the existing available funding was sufficient to meet the expected level of service. It is noted that several programs designed to extend the life of the road assets were not presently offered by Council. One such example was crack sealing which prevents water penetration into the road pavement, typically prolonging the life of that asset for many years.

In the absence of more detailed data, we have taken RMS service contract figures of \$7,000 per kilometre as an estimate of appropriate maintenance funding for sealed roads.

No such RMS figure exists for unsealed roads. A reduced figure of \$4,800 per kilometre for unsealed roads has been used as being an appropriate probable cost after consultations with staff officers and industry experts.

Council has 494.3 kilometres of sealed roads and 391.9 kilometres of unsealed roads together yielding a figure of \$5.341 million required for road asset maintenance.

Council allowed \$4.679 million in the 2021 financial year and \$4.604 million in the 2020 financial year for road asset maintenance.

These figures will be greatly improved with further asset management analysis but, on the material available, there is an approximate shortfall in road asset funding of \$500,000 annually.

It is noted that, in both years, Council overspent its allocation by \$508,226 and \$408,006 respectively. Further fortifying the view that a shortfall of funding exists in approximately those sums.

Finally, it is observed that the proportion of road maintenance funding allocated to plant is very high. Plant costs account for some 71% of all maintenance expenses (excluding depreciation) compared with 29% for labour and materials costs.

It may be timely to review plant allocation costs to ensure that Council is receiving value for money in the use of plant.

#### **4.5. Arriving at the structural result**

The structural result in Council's General Fund, after removing significant one-off items and capital grants, and adjusting expenditure for the probable road maintenance, depreciation, and landfill remediation expense shortfall at agreed levels of service is set out in the following table:

TABLE 4: *Council's General Fund structural result*

	2021	2020	2019	2018
Structural result	(\$6.018m)	(\$5.742m)	(\$5.133m)	(\$4.504m)

There was a structural deficit in the General Fund, at existing levels of service of \$6.018 million in 2021 which had grown from previous years.

The LTFP was considered for verification of the trends and particularly the assumptions about the growth of revenues and expenses over time.

It is noted that the above structural deficits would continue to worsen in all future periods.

#### **4.6. Comparative analysis**

Comparative analysis was undertaken as a means of validating the outcomes rather than for the purpose of sourcing an answer to the question as to what should be raised.

Various candidate comparative groupings were considered for the purpose of comparison but, ultimately, two were undertaken:

1. Comparison by OLG Group (Group 4), and
2. Comparison by Comparable Councils.

Group 4 is the statistical group arrived at for the purpose of comparisons by the OLG. It is also deployed by the Local Government Remuneration Tribunal for its purposes. For this reason, comparative analysis against Group 4 Councils was undertaken.

The criterion for the group is not complex and relates predominantly to population size. Even then, it is a very large group of Councils ranging from populations of 20,000 to 70,000 from the NSW coast to large regional economic centres like Wagga Wagga and Tamworth. It is not considered that a useful comparison, for present purposes, can be made across such a vast group.

It is noted that Council sits as a distant outlier from the mean or more typical group member in terms of the group's qualifying criteria. Lithgow has the second lowest rating of the 26 group members but to make such a comparison would, in our view, be unhelpful. We have, nonetheless, made the data available at Annexure 1.

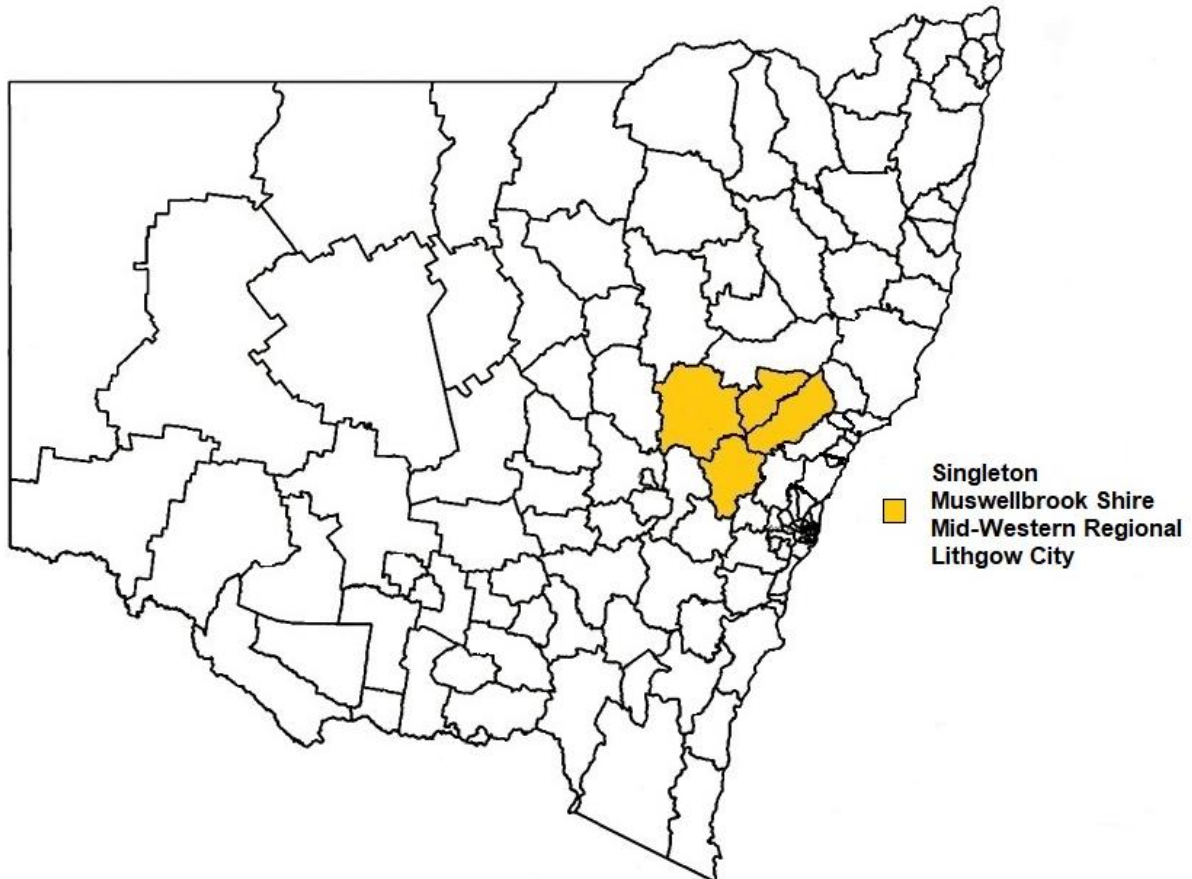
A better comparison is with statistically very similar councils.

Mid-Western Regional, Muswellbrook Shire, Singleton and Lithgow City have many similar characteristics:

- populations of between 16,500 and 24,000,
- each sit within a broader functional economic region without being at the centre,
- share proximate geography,
- each have large parts of the Blue Mountains / Wollemi World Heritage Area within their respective local government areas, with extensive road networks penetrating deep into the National Park serving relatively very few rateable parcels of land,

- large resource industries (mostly thermal coal) often with associated State significant power generation assets. These are typically international scale industries which consume considerable local government resources in terms of infrastructure and community services,
- large forestry industries often located in State Forests adjoining National Parks, and
- similar economic challenges and opportunities.

The Comparable Councils together with Lithgow City are depicted below:



A comparison of the rating income of the Comparable Councils is set out in the following table:

TABLE 5: *Rating by Comparable Councils*

Council	Rating <sup>2</sup>	Population <sup>3</sup>	Road Length (km) <sup>4</sup>
Lithgow City	\$13.2 million	21,090	886.2
Mid-Western Regional	\$29.8 million	24,076	1,922.7
Muswellbrook Shire	\$19.1 million	16,086	575.3
Singleton	\$22.3 million	22,987	809.1

When compared with these councils, Lithgow is at the very low end in terms of both rating *per capita* (as a crude proxy for non-road related services) and rating *per kilometre* of council local roads (as a crude proxy for road related services).

An analysis of the comparative agreed levels of service within the group has not been undertaken but it is noted that rural road expenditure is typically the largest general fund expense of any rural council in NSW.

It is noted that agreed levels of road servicing do not typically differ markedly between councils. The comparative data is entirely consistent with the findings in this Report.

<sup>2</sup> Sourced from 2021 Financial Statements.

<sup>3</sup> ABS: 2016 Census.

<sup>4</sup> Local Government Grants Commission, 2020 report.

## 5. PRODUCTIVITY, SAVINGS AND USER FEES

TABLE 6: *Productivity, Savings and User Fee Findings*

### FINDINGS

7. Council’s operation is stretched and additional resources, rather than fewer resources, are likely to result in greater productivity and efficiency. The lack of specialist resourcing in some areas of Council means that Council is absorbing unnecessary risk and expense.
8. A rolling program of individual business unit reviews should be undertaken over a four-to-five-year period across the Council organisation to identify opportunities for productivity, capacity building, savings, and other improvements.
9. The asset management planning being undertaken by Council should be extended to consider asset redundancy and a policy around the maintenance of single-user access roads.
10. User-fees at Council are comparatively very low at just 6% of Own Source Revenue. Council should consider generating a greater proportion of revenues from user fees. An initial target of \$100,000 should be established for the 2023/2024 financial year.
11. Council should adopt user-fees for all waste other than waste associated with the Domestic Waste Management Service.



## **5.1. The Council operation**

The re-occurring theme in consultations with staff officers was that a lack of capacity and resourcing was inhibiting productivity. It is readily apparent, for example, that a lack of capital resourcing in road renewal meant that corrective interventions were occurring too late to prevent more expensive outcomes.

The resulting underspend is accruing as infrastructure backlog and has been for some considerable period. Heavy patching and pothole repair was underfunded to such an extent that the interventions were often occurring well after water had penetrated the pavement. Keeping up relatively minor capital interventions to the wearing/seal road layer avoids the need for very costly rehabilitation works.

This was generally true across the organisation. The absence of a dedicated governance resource, for example, was a significant risk for Council with the real potential to result in unnecessary expense.

Observationally, individual members of staff were often performing multiple specialist functions and that the level of reactive, rather than proactive, work prioritisation meant that there was little room for strategic planning, efficiencies, and proactive interventions.

As noted above, however, our consultations are no substitute for individual business unit reviews. One of the casualties, however, of an apparent shortfall in operational funding is detailed individual business reviews. It appears that there has been no rolling program of reviews for some considerable period. There is no dedicated resource for strategic corporate planning or business improvement.

## **5.2. Asset redundancy**

Council is presently undertaking its Asset Management Plan. It is likely, in our view, that this will disclose some asset redundancy in the road network. There is no present policy, for example, restricting the maintenance of roads where the asset serves a single rating assessment.

There are public policy reasons why maintaining an asset at community expense for the benefit of a single assessment is not a good use of Council resources. Those costs should be internalised as an expense of the rating assessment concerned.

### 5.3. General rating and user fees

Council currently generates a little less than 50% of its revenue from rates and charges<sup>5</sup> compared with 48% across NSW councils more generally<sup>6</sup>. The figure rises to 81% when grants and contributions are excluded compared to 67% for NSW councils more generally. Fees and charges account for just 6% of Council Own Sourced Revenue<sup>7</sup> compared to 21% across councils more generally<sup>8</sup>.

It is a well-worn proposition of taxing theory that government pricing and taxing should, other things being equal, not distort economic behaviour. Similarly, a person who receives more benefits from government expenditure should, other things being equal, pay a higher share of the revenue collected by a council to provide that benefit.

A council should be conscious that if it does not set its fees and charges to recover comparable market prices, it distorts the broader market and there may be issues of competitive neutrality that arise as well as unintended and inequitable outcomes. A council should first consider recovering comparable market revenues for the delivery of its services before resorting to raising sufficient ongoing rate revenue to fully recover the net average long-run cost of the agreed levels of service.

Of course, user fees and charges arrived at on a ‘user-pay’ basis will not recover all of the costs of Council services because not all the consumption of Council services can be levied against their consumer. For example, the maintenance and renewal of Council’s road network – overwhelmingly its largest expense – is enjoyed, in no small measure, by persons not liable to Council’s taxing or pricing. For these reasons, general rating plays a critical role in meeting the costs of agreed levels of service.

Nonetheless, at just 6% of own-sourced revenue, user fees represent a very low comparative proportion of Council revenues. A significant reason for this, is a policy decision to recover the cost of delivering non-domestic waste management services by annual charge rather than by user fee (other than a relatively modest amount of commercial revenues – approximately 16% of all waste revenues<sup>9</sup>).

There may be all sorts of consequential negative equity considerations arising from resisting the use of user fees. It is not immediately clear, for example, why a retired resident of Lithgow, living alone and generating comparatively little waste, should pay \$469 annually whilst the annual fee for, albeit uncollected, ‘domestic waste’ of farming households is just \$156 annually.

Moreover, the Council definition of domestic waste, on one view, only excludes mattresses, tyres, and asbestos so that, in practice, farming household waste could conceivably include farm enterprise waste (containers, fuels, building materials, fence posts and anything else that could present as household waste at the waste facility gate). These items would, more typically, be subject to a user fee. There was

<sup>5</sup> 2021 Financial Statements, Lithgow City Council.

<sup>6</sup> OLG, NSW Councils Comparative Data, 2020.

<sup>7</sup> 2021 Financial Statements, Lithgow City Council.

<sup>8</sup> OLG, NSW Councils Comparative Data, 2020.

<sup>9</sup> 2021 Financial Statements, Lithgow City Council.

considerable anecdotal evidence in consultations with staff officers that farming enterprises were using the domestic waste management service to dispose of farm enterprise waste in both 2020 and 2021.

There are also environmental policy matters that do not appear to have been fully considered in setting the existing policy. The price mechanism is the principal tool in driving cultural change in waste management policy and accounting for (and reducing) the external environmental cost of waste.

The absence of gate fees for all but commercial waste, also presents as an administrative impediment to introducing alternative waste policy opportunities, including scaling the waste business unit and diversifying its focus to resource recovery.

For all these reasons, it is recommended that Council consider shifting some of its revenue burden to generate a greater proportion of revenues from user fees.

It is difficult to know what has driven some of these historical policy decisions, but if equity and affordability considerations have been the principal drivers then the existing policies are likely to have had the opposite outcome – that is, making it relatively less affordable for persons with less financial capacity.

An initial target of \$100,000 should be considered for raising additional revenues arriving from user fees across Council's general fund operations. It is considered a relatively modest target, but options exist to increase this further in the future.

The findings have been modelled based upon a target in that sum being accepted.

## 6. THE RATING STRUCTURE

TABLE 7: *Rating Structure Findings*

### FINDINGS

12. Each of the urban residential sub-categories of general rating should be harmonised – preferably by introducing a single new sub-category.
13. The urban residential sub-categories of general rating have a more limited capacity to contribute to rate increases than other categories and sub-categories.
14. A Farmland Category Application Form should be introduced to improve Council’s categorisation assessment process.
15. The *ad valorem* amount for the ‘Residential – Other’ sub-category should be harmonised with the new ‘Residential – Urban’ sub-category.
16. The ‘Farmland’ category and ‘Residential – Other’ sub-category should be reviewed in twelve months following the introduction of a Farmland Category Application Form.
17. The urban business sub-categories should be harmonised into a new ‘Business – Urban’ sub-category and the base amount reduced to \$250.
18. A new ‘Business – Quarrying’ sub-category should be created with an *ad valorem* amount calculated to equate (in aggregate) to at least 50c *per tonne* of quarried material by planning approvals.
19. The ‘Business – Other’ sub-category should be recreated as a Business Category. The *ad valorem* amount should move closer to harmonisation with the new ‘Business – Urban’ sub-category.
20. The ‘Business – Power Generation’ sub-category *ad valorem* amount should be increased to approximate the rating provided by other state significant business development in the LGA.
21. The Mining Category *ad valorem* amount should be increased to approximately 150% of the ‘Business – Urban’ *ad valorem* amount together with a component representing a contribution to a new Council transition management program.

## 6.1. Rating principles

The rating discretion is, generally speaking, a very broad one. In its Guide the OLG note, for example:

“The Act provides unprecedented flexibility between rating and charging options in recognition of the need to encourage councils to use modern pricing policies and techniques to manage demand and resources<sup>10</sup>.

and

The *Local Government Act 1993* seeks to give councils more options and greater flexibility in the types and the nature of the rates and charges that may be made and levied ... Ultimately, each council has to decide for itself what combination of rates, charges and fees (and pricing policies) is ‘appropriate’ for its area and its community<sup>11</sup>.”

Nonetheless, it is best practice to exercise the rating discretion in a considered, strategic, and accountable way. The giving the reasons for arriving at a decision is desirable so that the community can see that relevant issues were properly considered, and the determinations arrived at were not arbitrary.

The Guide sets out two key principles for the rating consideration:

“... the ‘fairness’ or ‘appropriateness’ of rates may be considered in the light of these two criteria:

- The extent to which those who receive the benefits of council's services also pay for those services - the so called ‘benefit principle’.
- The extent to which those who pay for council's services have the ability to pay for those services - the so called ‘ability to pay principle’.”

Comrie<sup>12</sup>, drawing on public finance theory, combines these two considerations into its equity consideration adding administrative simplicity and economic efficiency as further considerations. The first referring to the costs involved in applying and collecting rates and how difficult it is to avoid and, the second, the distortion of economic behaviour caused by the imposition of the rate. The economic efficiency consideration should be expanded to include other economic considerations such as market failures (land idling and externalities, for example, both of which are particularly important considerations in the present context).

Some of what Comrie deals with in his economic ‘economic efficiency’ consideration is dealt with by the OLG in its Guide, in a section dealing with competitive neutrality. Our approach, consistent with the OLG Guide, has been to consider the benefits principle separate of equity considerations.

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<sup>10</sup> Council Rating and Revenue Manual (Office of Local Government, 2007) at p. 14.

<sup>11</sup> See above at 13 at pp. 14 and 15.

<sup>12</sup> Comrie J, Smirl L and Sody, S (2011), ‘Rating policies – an ad hoc or principled balancing act?’ Australian Centre for Excellence of Local Government.

## 6.2. Council's Rating Policy

As noted above, a review of Council's Rating Policy has not been undertaken since at least 2004 at the time of the formation of the present amalgamated Council from its constituent abolished councils. Given, however, the propensity of councils at the point of amalgamation to preserve the *status quo* as much as possible, it is probable that a comprehensive review hasn't taken place for many decades.

The present Rating Policy has farmland and mining categories, four residential sub-categories and five business sub-categories.

### 6.2.1. Residential – Lithgow, Wallerawang and Portland

No reasons are set out in Council's Operational Plan for the distinction between these sub-categories. It is probable that the real reasons are now long lost in the pre-amalgamation past, and that the *ad valorem* amounts have been indexed from the *status quo* that existed at the time of amalgamation.

It is often attractive to assert that smaller villages should pay smaller proportional rating based upon a claim that they receive a smaller share of local government resources but, in fact, the opposite is almost always the case. It is certainly the case in the Lithgow LGA, for example, where the rural road network is overwhelmingly the biggest single expense. The claims often have their genesis at a time when the rural road networks were very modest indeed (often single lane unsealed roads) and where transport made it rare for village residents to access town services. Neither of those things are at all true today.

Council's level of service for road network maintenance makes no distinction for geography and is entirely, and rationally, derived by reference to risk and consumption factors and, particularly, vehicle use.

There is no basis for the on-going distinction between the various town and village residential sub-categories and the urban residential rating should be harmonised. Ideally, this would be achieved by abolishing the three existing sub-categories and replacing it with a new 'Residential – Urban' category. We have been very mindful of equity and 'capacity to pay' issues within these sub-categories. The LGA has the second oldest population of any LGA in NSW and, with a rank of 99, is relatively low on the Socio-Economic Index for Areas produced and published by the ABS.

Whilst the base amount also varies between existing sub-categories, there is no basis for it. A single base amount of around \$250 to \$300 is reasonable and proportionate.

Comparative analysis, both of the *ad valorem* amount and the typical residential bill, bears out that Lithgow residential urban rating is low compared with both Group 4 Councils and Comparable Councils. This is also considered reasonable given the socio-economic circumstances of the LGA. The urban residential sub-category of rating has a

more limited capacity to contribute to rate increases than other categories and sub-categories.

### **6.2.2. The 'Residential – Other' sub-category and the Farmland category (considered together)**

The 'Residential – Other' sub-category covers all residential land use not subject to the above sub-categories. In practice, the sub-category covers rural residential land in the peri-urban area of Lithgow and the (largely lifestyle) residential rural land uses throughout the non-urban area of the LGA. Already, it is a very significant part of Council's overall rating at \$2.109 million – only slightly less than the \$2.117 million of farming land use rating.

Together, the two land uses comprise the total of non-urban rateable land use in the LGA not used for mining or business. It accounts for approximately 45% of the value of that land area compared with 55% for farming. It is purposeful, therefore, to consider the two uses and rating together.

For land to be categorised as farming it must have, amongst other things, "a significant and substantial commercial purpose or character" and the farming has to be "engaged in for the purpose of profit on a continuous or repetitive basis (whether or not a profit is actually made)"<sup>13</sup>.

Some of the recent strategic land use planning within Council is telling. Although coming from an economic assessment perspective built-up from soil quality, access to irrigation, enterprise size and similar factors, it reveals that, less than 10% of the existing rural land is probably being used for economic farming. It is likely, therefore, that a significant proportion of the lifestyle rural living land use is being miscategorised as Farmland rather than 'Residential – Other'.

A more formal process for reporting and assessing the categorisation of these land uses, with the introduction of a Farmland Category application form, would greatly assist to improve the fidelity of the rating discretion in this area.

Nonetheless, on the material available together with observation of the land use, we think it is likely that, if a greater focus is brought to bear, the percentage split between 'Residential – Other' and 'Farmland' is likely to shift to something more like 70/30. It is likely that ambiguity at the margin, in an environment of rate liability minimisation, will mean that farming will represent a higher proportion of overall rural rating compared with its actual use for that purpose.

The second part of the issue concerns the appropriateness of the *ad valorem* amounts set by Council in these categories. At present, the 'Residential – Other' category is levied at around half the rate of the 'Residential – Lithgow' category. No reasons are given to justify the large difference. Again, the large difference may have evolved because of a long-standing belief that the non-urban category consumes less Council resources but,

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<sup>13</sup> See s515 of the Act.

for reasons advanced above, that view cannot be substantiated. Indeed, lifestyle rural living consumes considerably more Council resources primarily because of the larger road maintenance burden in servicing that land use. At present, the urban residential communities of the LGA subsidise, in no small measure, both the farming and lifestyle rural living land uses.

The lifestyle rural living *ad valorem* rate is comparatively very low. So low, in fact, it is only 20% higher than the Farmland rating category. There are economic consequences as well as equity considerations in setting the *ad valorem* amount of the two categorisations so close. One of the purposes of rating is to encourage the economic use of land and, farming, although relatively capital intensive, is none-the-less an employment use of land.

There are external benefits, to the community, of the use of land for the generation of employment and, on one view, this justifies the consideration of a reduced relative rate compared with land enjoyed as lifestyle rural living.

From an affordability and equity point of view, the case for lifestyle rural living attracting a higher levy is also compelling. Property prices are a reasonable indication of capacity to pay<sup>14</sup>.

These are very discretionary matters, but there is little justification in treating the residents in the 'Residential – Other' category more favourably than residents of the urban residential category areas. Whilst typically higher land values in the category will mean a higher rating yield per assessment, the same applies to higher value parts of the urban area. If, nonetheless, intervention is to occur to 'flatten' the incidence of the overall rating across residential sub-categories, it should be by use of a base amount across all sub-categories and not disparate *ad-valorem* rates. It is considered, a base amount of \$300 is reasonable and proportionate.

Comparative analysis with Group 4 councils provides a very wide range of *ad valorem* amounts for both rural living and farming and the recommendations in this Report are largely consistent with a middle to low range.

Mid-Western Regional Council has identical *ad valorem* and base amounts for rural living and urban residential. Its base amount has a substantial flattening affect. Muswellbrook Shire Council reduces rural living (and rural residential) by the cost of its septic inspection fee, but the amounts are otherwise much the same as urban residential. Singleton Council makes a distinction, but the distinction is flattened by the imposition of a common base rate.

The rating setting in this area should be reviewed in twelve months after better information is available from the Farmland Application form process.

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<sup>14</sup> South Australian Centre for Economic Studies (2004), 'The Correlation Between Income and Home Values: Literature Review and Investigation of Data – Final'.



### 6.2.3. Business – Lithgow, Wallerawang and Portland

These sub-categories are characterised by a single base amount and differing *ad valorem* amounts. Again, no reason is given for the policy rationale for the differences. The distinction between the Wallerawang and Portland *ad valorem* amounts is so modest as to be immaterial. The Lithgow *ad valorem* amount is approximately 60% higher than the other two sub-categories. The overall difference is significantly flattened by the uniform base amount – in some cases cannibalising the ‘equity benefit’ of the disparate *ad valorem* rates. Put another way, some of the business land values are so comparatively low in Portland and Wallerawang, that the overall rating recovered from the present base amount is more than that which would be derived from a stand-alone *ad valorem* rate, even at the rate allowed in the ‘Business – Lithgow’ sub-category. It’s impossible, therefore, to see what the policy objective is.

It is acknowledged that there are considerable external benefits in labour and consumer costs avoided in travel to and from work and travel to and from businesses in the purchase of goods and services from businesses which are local. It is not typically a desirable outcome of rating to alter economic behaviour but there may be some legitimate justification, in terms of externality costs, for subsidising businesses in the smaller centres. Nonetheless, in our view any subsidy should be modest.

In our view the base amount is high and provides a significant disadvantage to smaller businesses who pay proportionally more of their business costs in Council rating as a consequence of the flattening caused by the base rate. In our view the base rate warrants reduction to around \$250. In our view the urban business sub-categories should be harmonised into a new ‘Business – Urban’ sub-category.

### 6.2.4. Business – Other

This category essentially covers the land use of business outside the urban centres excluding power generation and mining. Although it is unclear from the documents, it is understood that it also serves the ‘vacant’ land use – the ultimate fall-back category.

As with the other categories no reasons are articulated for setting of the *ad valorem* rating amount. The *ad valorem* amount is comparatively very low – indeed the second lowest *ad valorem* amount of all the categories. In absolute terms, it is the lowest category for land valuations of less than \$500,000 in the LGA because of the impact of the base amount compared with that for Farmland.

Given that it is the category that includes quarries and that the impact of quarries on the consumption of council resources, particularly roads, is substantial, there can be no basis for the present *ad valorem* amount, on any of proper consideration of the principles.

Even where a proportion of the impact is on the State network there is nonetheless an indirect local road impact on the broader network. For every tonne exported, there are also tonnes imported as inputs into the production.

In recent contested cases between councils and quarries following the engagement of experts, a figure of around 50c *per tonne per year* has been arrived at as the basis for calculating an appropriate contribution to the local road authority. The LGA's approved quarries have combined permissible production tonnages exceeding 5,000,000 *per year* yielding an upper probable impact on road infrastructure (declared and local roads) of approximately \$2.5 million a year. Existing planning contributions by the LGA's quarries do not significantly alter this assessment.

In addition to road maintenance, quarries typically have a disproportionate consumption of other council resources such as planning, environmental and regulatory resources.

Each of the quarries, at present, falls within the Business – Other sub-category which is anticipated to yield just \$148,571 *per year*. This represents an extraordinary cross-subsidy by other ratepayers of the local quarrying industry which cannot be justified.

It is recommended, a new sub-category in the business category where the centre of activity is quarrying should be created so as to avoid any unintended consequences of the impact of that activity on less council resource intensive business activities. The precise wording will need to be the subject of legal opinion.

The *ad valorem* rating amount in the new sub-category should be at least brought into parity with other business sub-category rating. Even a relatively modest aggregate of \$1.25 million would go a substantial way to overcoming the inequity.

The Business -- Other Category should be simply called Business but otherwise remain (with quarries moved into a new sub-category). There is, little justification for the existing *ad valorem* amount being one tenth of that for the urban business categories. Consideration should be given to parity.

Finally, it is recommended that a report be commissioned into the extent of forestry in the LGA. Where the forestry is occurring on land owned by the Crown and leased for that private purpose<sup>15</sup>, it should be rated as business. It may be necessary to revisit the issue with an additional business sub-category once the full extent of the forestry industry in the LGA is ascertained.

### 3.2.5. Business – Power Generation

The creation of this category is one of the few significant changes to rating policy since 2004. It had been identified that the power station centre of activity was paying comparatively little by way of rating. In our view, the increased rating amount still falls well short of what is a reasonable and proportionate contribution which is assessed to be something like \$250,000 *per annum*.

Using employment as a proxy for the consumption of local government services (a proxy, for example, that was almost universally used to determine planning

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<sup>15</sup> See s555(1)(a) of the Act.

contributions before 2010), the power stations pay substantially less than mining activity in the LGA. There is no reason why the power station centre of activity shouldn't be paying comparable rates. Affordability is not assessed to arise as a strong argument against a substantial increase.

Economic and social transition management will also absorb considerable Council resources as the power station centre of activity de-carbonises with significant disruption to employment and the local economy. The transition will need to be supported by Council. The power station centre of activity is also the source of significant economic externalities which should be considered related to road maintenance, health, and climate all of which are legitimate policy considerations in the setting of the rating burden.

### **6.2.5. Mining**

Along with the contribution that all businesses should reasonably and proportionately contribute to rating, mining has long been identified as having significant additional impacts in terms of local government resources. Although minerals are predominantly today exported from site by rail or the State road network, a substantial quantity of inputs in terms of labour, fuel and other materials have a much more dispersed logistical impact on local government infrastructure.

A helpful reference point in any consideration of what is reasonable and proportionate for mining, is the rate paid by other businesses within the LGA. There is some support for such an approach in the Act, which empowers the Minister, by regulation, to set a rate by reference to the Business Rate. Council's Revenue Policy presently provides mining businesses a reduced rate compared with businesses more generally and, specifically, the 'Business – Lithgow' subcategory which accounts for most of the total business rating. No reasons are given for the discount. Of course, mining, as a class of business, typically consumes a much higher relative proportion of local government infrastructure and services than businesses more generally.

Looking at Comparable Councils, Mid-Western Regional Council's mining rate is 2.8x its business rate. Muswellbrook Shire has a mining rate which is slightly higher than its general business rating. Singleton, which has the highest proportion of mining in the State (and the greatest proportional value of mining relative to other land uses) has a mining rate which is significantly lower than its business rate.

Affordability is not a strong consideration for the exercise of the rating discretion in this category, but it is noted the present thermal coal spot price is close to historical highs.

A reasonable and proportionate mining rate is somewhere between 50% and 100% greater than the existing 'Business – Lithgow' rate and the proposed new 'Business – Urban' rate. We have modelled it at 50% for the purpose of our calculations.

No useful comparison can be made with Group 4 councils because few of those councils have mining as a significant land use. The following table is an analysis against Comparable Councils:

<b>Council</b>	<b>Mine Rating<sup>16</sup></b>	<b>Population<sup>17</sup></b>	<b>Mining Output<sup>18</sup></b>
Singleton	\$8.3 million	22,987	65.2Mtpa
Muswellbrook Shire	\$10.6 million	16,086	56.4Mtpa
Mid-Western Regional	\$12.4 million	24,076	31.5Mtpa
Lithgow City	\$1.8 million	21,090	14.3Mtpa

It is noted that Lithgow mine rating is very low compared to Comparable Councils both in both absolute and proportional terms.

### 6.2.6. Environmental

Legislative changes enacted in 2021 create a new category for Environmental Land. This category aims to ensure that land that is unable to be developed is rated at a more appropriate level in the future.

Currently land subject to a conservation agreement under the National Parks and Wildlife Act 1974 is exempt from rates. That exemption, however, does not apply to other land used for environmental purposes.

Although enacted, the amendments have not come into force and, at the time of writing, we have not been able to obtain any guidance as to when those amendments are likely to come into force.

It is recommended that in preparation for the 2023/2024 rating year, a new category for Environmental Land be introduced in identical terms to that which appears in the Act. There is not a justification, on the present material available, to warrant the creation of sub-categories nor do we think that the introduction of the category will impact the overall rating structure as much of the land that would otherwise qualify is, in any event, exempt.

<sup>16</sup> 2021/2022 budget estimates.

<sup>17</sup> ABS, 2016

<sup>18</sup> Maximum by planning approvals.

## 7. ADDITIONAL LEVELS OF SERVICE

TABLE 8: *Additional Levels of Service Findings*

FINDINGS	
22.	Council considers a dedicated governance and strategy resource of approximately \$250,000 <i>per year</i> .
23.	Council considers a dedicated capacity building resource of approximately \$250,000 <i>per year</i> .
24.	Council budget for a surplus of at least \$250,000 as a contingency over its General Fund expenses <i>per year</i> .
25.	Council introduces a transitions management program for a fixed period of approximately ten years leveraged against the Mining Category and ‘Business – Power Generation’ sub-category and, ultimately, a Special Levy for the balance of the same period.

Whilst chapters 4 – 6 have been concerned with the shortfall in, and distribution of, the rating burden at existing levels of service, this chapter considers additional levels of service.

There are compelling reasons to also consider several areas where additional levels of service may be warranted.

### 7.1. Governance and strategy

Council has no dedicated resources for either governance or strategy. Local government is a creature of statute and a political body. It is subject to increasing regulation and public scrutiny and there are few councils which operate without such a dedicated resource. A lack of those resources can create a fertile environment for administrative error from which flows significant risk and consequence.

During the course of preparing this Report, we have found a number of areas where the provision of a governance resource might have substantially improved Council’s processes – particularly in the areas of domestic waste management and rating.

A dedicated governance resource should have responsibility for overseeing statutory compliance and best practice across the Council organisation.

It is evident that a substantial amount of strategic work has been launched at Council in comparatively recent times. The opportunities arising from that strategic work is enormous. Our observation is that the recent strategic drive is being led by a very small number of ‘leaders’ within the Council organisation. Leadership is crucial to strategic planning and of course everyone, from the frontline staff officers through to senior managers can be ‘leaders’ in the sense of strategic thinking. A culture of leadership can also be embedded within a Council.

An often quoted editorial, by James Gannon, Editor of the Des Moines Register newspaper from 1989, sets out the importance of leadership in a local context:

“I do not believe that the fate of any given small town will be decided by its location in the State or by its access to water or highways or resources or other objective characteristics. These factors can help or hurt economic survival, but the essential ingredient is something human, unpredictable and immeasurable. It is that elusive thing that we call leadership. Leadership is vision, some notion of where the future lies and how to get there. Leadership is guts, the willingness to step up and make hard decisions, take risks, step on toes and maybe fall flat on your face trying, but nonetheless try. Leadership is energy, the determination to keep going when everyone else tells you that it’s a lost cause. Leadership is looking in the mirror every morning and saying ‘It’s up to me’; nobody’s going to do it for me’. You do not have to be elected to be a leader. You have to care to decide to do something and to enlist like-minded people in the doing. In my view, that’s what small town needs to survive – a spark of leadership by committed local people willing to risk failure to reach success.”

Developing and embedding leadership cultures within Council over the next few years will be crucial to its success in managing its regional transition.

The strategy function should be focused on embedding leadership cultures within Council, undertaking a scheduled program of business unit performance reviews, identifying, and operationalising continual improvement across the organisation and co-ordinating the Council strategic narrative and IPR framework.

For all these reasons, it is recommended Council consider a dedicated governance and strategy resource. We estimate such a dedicated team will require approximately \$250,000 of annual funding once existing allied internal resources are re-distributed and resulting further productivities achieved.

## 7.2. Capacity building

Resourcing capacity building in local government, which typically operates within very tight budgets, can be very challenging. Even when funds are set aside, the funds are often reallocated during budget reviews to offset unforeseen expenses or revenue shortfalls.

Where capacity building programs are used in a focused and disciplined way, it can unlock significant productivity, creating additional operational funding in future periods. At present, the shortage of operational funding means that staff officers rely

heavily on external grants to achieve significant productivities in future periods. Last year, for example, Council's waste team sought and obtained a grant of \$231,800 to innovate and deploy artificial day cover at Council's waste facility which has the potential to remove 12,000m<sup>3</sup> of soil from Council's landfills each year – liberating a conceptual 200,000m<sup>3</sup> (with an estimated value of many millions) of landfill void space for commercial purposes.

Relying solely on external sources of revenue to fund productivity improvements is neither wise nor sustainable in the long-term.

It is recommended that the annual budget (and general revenues) be increased by \$250,000 and the funding be quarantined for capacity building within Council. A strategic and disciplined program dedicated to capacity building through a 'budget bids' process which focuses the minds of business unit managers on productivity will also help foster an innovation and leadership culture within the organisation.

Productivity, in this sense, is not just concerned with winning internal Council financial improvements but also social and environmental improvements and processes.

### **7.3. Budgeting a contingency and surplus**

It is sensible to provide for a modest operating surplus of \$250,000. In TCorp's analysis of the financial sustainability of NSW's councils, it defined 'Very Strong' councils as having "a record of reporting operating surpluses" and "highly likely to be able to withstand financial shocks and any adverse changes in its business without revenue and/or expense adjustments"<sup>19</sup>.

The main purpose of such surplus is to provide for contingency and the vicissitudes that befall councils from time to time.

Other reasons to aspire to a surplus include enhanced capacity to improve performance and productivity in future periods, to address infrastructure backlogs and to maintain a higher net financial liabilities ratio.

### **7.4. Transition management**

There has been considerably more interest in the long-term sustainability of communities presently reliant on carbon-intensive industries in the last few years. Much of that interest was sparked by the sudden closure of the Hazelwood thermal coal power station in the La Trobe Valley.

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<sup>19</sup> *Financial Sustainability of the New South Wales Local Government Sector*, TCorp, April 2013, Appendix 1.

Lithgow’s exposure to carbon-intensive industries is substantial. Over the next five to seven years there will be a significant industrial transformation in the LGA which will have ramifications both for Council’s finances and the broader local economy.

Transition management is developing as a specialist discipline to manage such regional transitions. Its focus is on a multi-disciplinary and multi-stakeholder engagement to accelerate and scale niche industries, accelerate and scale societal support, and lay the foundations for developing an agile and adaptable workforce. Early strategic planning and transition management can greatly mitigate against these large-scale industrial disruptions.

Muswellbrook Shire Council, a Comparative Council commissioned several reports dealing with the economic and social impact of mine and power station closures and, particularly, local government’s role in supporting the workforce and the wider community during the transition<sup>20</sup>. The Council has established a \$104 million ‘future fund’ to assist it and its community during the transition process. Some of this has been built up from mine rating and power generation rating revenues.

Whilst primary responsibility for regional transitions rests with the State Government, councils can choose to be leading actors in the transitions space. Local leadership and local government can unlock significant Federal, State, debt, and private sector funding by leveraging its contribution purposefully. In Muswellbrook, for example, its council’s contribution of around \$700,000 to \$1.25 million annually, has unlocked over \$100 million in Federal and State Government grants and over \$1 billion in a pipeline of private sector investment.

It is recommended that Council allocate \$500,000 annually to the task. Given that economic, social, and environmental disruption and transition management is largely an externality of the relative short life of resource projects and given the present challenge is largely linked to the need to de-carbonise the economy, it would be appropriate that such funding should be levied against the ‘Business – Power Generation’ sub-category and Mining category respectively.

By 2024/2025, it is recommended that this be subject to a new Special Rate developed with a nexus to the Council services being provided, to manage the transition associated with these carbon-intensive industries.

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<sup>20</sup> See for example, Weller, S. Beer, A. Porter, J. and Veitch, W. (2020) *Identifying measures of success for a global best practice thermal coal mine and thermal coal-fired power station closure – Final Report*, UniSA Business, Adelaide



## 8. OPTIONS, INCIDENCE AND IMPLEMENTATION

TABLE 9: *Options, Incidence and Implementation Findings*

### FINDINGS

26. An application for a SRV be prepared for submission to IPART applying for a 42% increase in Council's Notional General Income from the 2023/2024 financial year.
27. Such application be supported by a putative new rating policy broadly consistent with Table 10 – *Incidence of New Rating*.

### 8.1. Options

The Report sets out a 'base case' option with other options derived by accepting or not accepting the various potential additional levels of service. The option to not seek an increase in the Notional General Income is a real option, but it will require a fundamental revision and reduction in existing levels of service which of itself will be a considerable body of work.

Such an approach will require regular further revisions and further levels of service cuts as the existing levels of service are not sufficient to ensure that assets reach their assumed asset lives.

The only financially responsible and sustainable option is an increase in the Notional General Income.

Increase required to General Revenues (level of service <i>status quo</i> ):	\$6,018,000
<i>Less</i> productivities and improvements:	\$1,300,000
Increase required to Notional General Income (level of service <i>status quo</i> ):	<b>\$4,718,000</b>
<i>Add</i> Governance and Strategy Capacity	\$250,000
<i>Add</i> Capacity Building	\$250,000
<i>Add</i> Contingency and Surplus	\$250,000
<i>Add</i> Transitions Management	\$500,000
<b>TOTAL increase recommended to Notional General Income</b>	<b>\$5,968,000</b>

## 8.2. Incidence

The incidence of the increased rating on the various recommended categories and subcategories associated with the full recommendations of this Report is set out in the following table:

TABLE 10: *Incidence of New Rating*

Category or Sub-category	Existing Yield	Proposed Yield	Percentage Change
Residential -- Urban	\$6,052,695 <sup>21</sup>	\$7,443,000	23%
Residential – Other	\$2,153,345	\$4,000,000 <sup>22</sup>	89% <sup>23</sup>
Farming	\$2,121,112	\$1,400,000 <sup>24</sup>	-34% <sup>25</sup>
Business – Urban	\$1,942,089 <sup>26</sup>	\$2,350,000 <sup>27</sup>	21%
Business <sup>28</sup>	\$155,952	\$90,000 <sup>29</sup>	-42% <sup>30</sup>
Business – Power Generation	\$47,013	\$325,000 <sup>31</sup>	591%
Business – Quarrying	-	\$1,200,000 <sup>32</sup>	-
Mining	\$1,816,978	\$3,416,000	88%
<b>TOTAL</b>	\$14,256,951	<b><u>\$20,224,000</u></b>	<b>42%</b>

Although there is likely to be significant changes in categorisation with the introduction of a Farmland Category Application Form process, the timing of the process may mean that the uniform increase in land rating (outside the mining, power generation, and quarrying categories and sub-categories) will be 24%.

The actual impact in the residential category, however, is likely to be somewhat lower at 21% following a review of existing farming categorisations.

<sup>21</sup> Existing includes: 'Residential – Lithgow', 'Residential – Wallerawang' and 'Residential – Portland'.

<sup>22</sup> Putative figure. The actual figure will be arrived at by categorisation by actual use.

<sup>23</sup> This is large part due to an anticipated shift in assessments to this category from others.

<sup>24</sup> Putative figure. The actual figure will be arrived at by categorisation by actual use.

<sup>25</sup> This is largely because of an anticipated shift in assessments from this category to others.

<sup>26</sup> Existing includes: 'Business – Lithgow', 'Business – Wallerawang' and 'Business – Portland'.

<sup>27</sup> A slight increase from the harmonisation with the existing 'Business – Lithgow' sub-category.

<sup>28</sup> Existing as 'Business – Other'.

<sup>29</sup> The drop is largely attributable to the creation of a Business – Quarrying sub-category.

<sup>30</sup> This is largely because of a shift in assessments to a new sub-category.

<sup>31</sup> \$250,000 figure set out in the report together with a proportional allocation of 'add-on' amounts.

<sup>32</sup> Putative figure. The actual figure will be arrived at by categorisation by actual use.

### **8.3. Implementation**

As most of the more significant impact falls in business categories (including mining) for which staggered implementation would not be purposeful, we recommend introducing the full increase to the Notional General Income in the 2023/2024 financial year.

For clarity, the recommended increase is in addition to the increase that preserves the rating in real terms (the rate peg).

## ANNEXURE(S)

### Comparative rating by Group 4 council

Council	Rating <sup>33</sup>	Population <sup>34</sup>	Road Length (kms) <sup>35</sup>
Albury City	\$41.262m	53,767	545.5
Armidale Regional	\$18.252m <sup>36</sup>	30,707	1,726.8
Ballina Shire	\$24.217m	44,208	654.5
Bathurst Regional	\$26.286m	41,300	1,160
Bega Valley Shire	\$24.097m	33,253	1,224.9
Broken Hill City	\$15.316m	17,734	211.4
Byron Shire	\$24.31m	31,556	565.5
Cessnock City	\$38.173m	55,560	947.6
Clarence Valley	\$32.799m	50,671	2,062.3
Dubbo Regional	\$35.023m	50,077	2,511.8
Eurobodalla Shire	\$28.958m	37,232	954
Goulburn Mulwaree	\$20.587m	29,609	1,137.8
Griffith City	\$32.910m	27,321	1,246.8
Kempsey Shire	\$20.793m	28,885	1,104.8
Kiama Municipality	\$17.881m	21,464	227.9
Lismore City	\$31.353m	43,135	1,093.8
Lithgow City	\$13.045m	21,090	886.2
Mid-Western Regional	\$25.863m	24,074	1,923
Orange City	\$32.202m	40,493	482.3

<sup>33</sup> Sourced from 2020 Financial Statements as not all 2021 Financial Statements for each council was available.

<sup>34</sup> ABS: 2016 Census.

<sup>35</sup> Local Government Grants Commission, 2020 report.

<sup>36</sup> Estimate based on 2019 financial statement.

Queanbeyan-Palerang Regional	\$37.342m	56,027	1418.5
Richmond Valley	\$12.702m	23,164	997.1
Singleton	\$22.281m	22,987	809.1
Snowy-Monaro Regional	\$16.48m	20,218	2309
Tamworth Regional	\$35.811	59,663	2,965.4
Wagga Wagga City	\$42.666m	62,385	2,116.4
Wingecarrabee Shire	\$49.196m	47,882	1,079.8



**FTG**