

## **SPECIAL RATE VARIATION (SRV)**

### **AFFORDABILITY AND HARDSHIP SUPPORT**

#### **Introduction and proposal summary**

Affordability has been the most prevalent concern cited by respondents to Council's engagement and consultation about a proposal to apply for a SRV. Micromex Research<sup>1</sup> found the 32% (20% of total sample) of respondents that preferred option 1 rate peg only, did so as they cannot afford a rate increase and a further 30% believe option 1 is the most affordable option. 29% of pensioners/retirees and 15% of non-pensioners stated that they cannot afford a rate increase.

This report examines proposed rate increases under a SRV, responds to groups of ratepayers that have signalled a potential to experience difficulty in paying increased rates and identifies potential strategies to mitigate substantial hardship for many of those ratepayers.

Very specific detail is provided about the hardship mitigation initiatives. However to simplify the proposals they are summarised in this introduction in plain English.

If a SRV proceeds, Council might consider:

1. Introducing lower waste removal charges for pensioners
2. Introducing a special rebate for pensioners with very high land values
3. Introducing a rates assistance program of rate credits for non-pensioners with eligibility assessed by welfare agencies.

Note: Some amounts included in this report are rounded to whole dollars, so some totals may not balance by \$1.

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<sup>1</sup> Micromex Research & Consulting was engaged by Council in August 2018 to conduct a statistically valid and representative telephone survey of 403 LGA residents.

## **Pensioners**

Approximately 19%<sup>2</sup> of Port Stephens Council Local Government Area (LGA) residential rate assessments are owned by pensioners.

The Local Government Act 1993 provides for an annual mandatory rate concession to eligible pensioners who receive a pension from Centrelink or certain pensions from the Department of Veterans Affairs. The concession is a maximum of \$250, funded 45% by Council and has not increased since 1989. Approximately 6,000 rate assessments receive pensioner concessions totalling approximately \$1.55 million per annum.

Eligibility for a pensioner rate concession requires the pensioner to receive at least a part pension in order to receive a pensioner concession card. Under Centrelink rules part age pensions cancel when a single home owning pensioner has assets, excluding the family home, of more than \$561,250 or a home owning age pensioner couple has assets, excluding the family home of more than \$844,000. Part pensions also cancel for age pensioners when income reaches \$51,667.20 for a single age pensioner or \$79,050.40 for a couple.

Pension amounts, including pension supplement and energy supplement amount to \$23,597.60 per annum for a single age pensioner and \$35,573.20 for a couple.<sup>3</sup>

## **Pensioner land value profile**

Pensioner's property land values in the LGA range from \$22,460 to \$1,376,000 with the average land value being \$224,000, which is the same as the average value of all residential properties, refer to figure 1. Under a 7.5% SRV for seven years the average pensioner's rates will increase from \$1,048 in the current year to \$1,739 in 2025-2026 (less the existing \$250 per annum pensioner rate concession) an increase of \$691 or \$493 above the estimated 2.5% rate peg.

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<sup>2</sup> Calculated from internal data of 6,011 pensioner rebates as at 31/8/2018 out of 31,591 residential land category rate assessments levied to 31/8/2018.

<sup>3</sup> Age pension cut off limits sourced from Centrelink website as at 1 July 2018 which disclose single income limit of \$1,987.20 per fortnight and \$3,040.40 per fortnight for a couple. Maximum age pension amounts are disclosed as single basic rate of \$826.20 per fortnight plus pension supplement of \$67.30 per fortnight plus energy supplement of \$14.10 per fortnight. Maximum age pension amounts are disclosed as couple combined basic rate of \$1,245.60 per fortnight plus pension supplement of \$101.40 per fortnight plus energy supplement of \$21.20 per fortnight.

**Figure 1 - Pensioner land value profile and rate increases**

Pensioners			Pensioners Annual Increase above Rate Peg							7.5% x 7 years		
Land Value*	No. Assess	2018-2019	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Above Rate Peg	Rate Peg	2025-2026
		Current Rates										Future Rates
50,000	105	521	26	29	31	34	38	41	45	245	98	864
100,000	256	672	34	37	41	45	49	53	58	316	127	1,115
150,000	1,015	824	41	45	50	55	60	65	71	388	155	1,367
200,000	1,445	976	49	54	59	65	71	77	85	459	184	1,619
224,000		1,048	52	58	63	69	76	83	91	493	198	1,739
300,000	2,175	1,279	64	70	77	85	93	102	111	602	241	2,122
400,000	734	1,582	79	87	96	105	115	126	137	744	299	2,625
500,000	131	1,886	94	104	114	125	137	150	164	887	356	3,128
600,000	41	2,189	109	120	132	145	159	174	190	1,030	413	3,631
700,000	22	2,492	125	137	151	165	181	198	216	1,172	470	4,135
800,000	3	2,795	140	154	169	185	203	222	243	1,315	527	4,638
900,000	5	3,099	155	170	187	205	225	246	269	1,458	585	5,141
1,000,000	11	3,402	170	187	206	225	247	270	295	1,600	642	5,644
1,100,000	5	3,705	185	204	224	245	269	294	321	1,743	699	6,147
1,200,000	8	4,009	200	220	242	266	291	318	348	1,885	756	6,650
1,300,000	4	4,312	216	237	260	286	313	342	374	2,028	814	7,154
1,400,000	4	4,615	231	254	279	306	335	366	400	2,171	871	7,657

### Impact and affordability

In order to receive a pensioner rate concession, a pensioner must reside at the rateable property. This means pensioners are levied annual charges for domestic waste management along with other charges depending upon where the property is located. Typical pensioner total rates and charges are shown in figure 2.

**Figure 2 - Pensioner total rates and charges 2018-2019 examples**

Property Type, or Location	Land Value*	2018-2019 Current Rates \$	Waste Management \$	Domestic Waste Service \$	OSMS Fee \$	Hunter LLS Catchment Contribution \$	Rebate \$	Total \$
Strata Unit	103,000	681	58	418			-250	907
Karuah	132,000	769	58	418		15	-250	1,010
Raymond Terrace	144,000	806	58	418		16	-250	1,048
Tanilba Bay	171,000	888	58	418			-250	1,114
Seaham	238,000	1,091	58	418	117	26	-250	1,460
Salamander Bay	243,000	1,106	58	418			-250	1,332
Corlette	269,000	1,185	58	418			-250	1,411
Wallalong	272,000	1,194	58	418	117	30	-250	1,567
One Mile	435,000	1,688	58	418			-250	1,914
Fishermans Bay	567,000	2,089	58	418			-250	2,315
Waterfront	1,022,000	3,469	58	418			-250	3,695

It is anticipated that the non-rate items included on rate notices will increase by approximately 2.5% per annum in the foreseeable future apart from the pensioner rate concession or mandatory rebate which is not expected to increase. As the rebate is fixed, it does not absorb any of the annual charge or rate pegging increases, so the net cost to the average pensioner is anticipated to increase by a cumulative 23% over the next seven years, see figure 3<sup>4</sup>.

**Figure 3 - Pensioner average total rates and charges bill under rate peg only**

Rate Peg Only Rate Charge Item	2018-2019 Current Bill	Average Pensioner Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,074	1,101	1,129	1,157	1,186	1,215	1,246
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	428	439	450	461	473	485	497
HCC*	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
<b>Payable</b>	<b>1,301</b>	<b>1,340</b>	<b>1,380</b>	<b>1,420</b>	<b>1,462</b>	<b>1,505</b>	<b>1,549</b>	<b>1,594</b>

\*HCC refers to a catchment contribution levied by Council on behalf of Hunter Local Land Services

### Existing hardship support measures

In addition to the mandatory pensioner rate concession Council's current debt recovery and hardship policy provides the following rate hardship assistance:

- Flexible repayments
- Interest reduction
- Financial assistance in the year following a general revaluation
- Backdating of pensioner rate concessions and extending concessions
- Deferral of rates against their estate for aged pensioners

<sup>4</sup> The cumulative increase in total rate/charges bill is calculated as \$1,594 minus \$1,301 = \$293. \$293/\$1,301 = 23%

## **Flexible repayments**

Council accepts flexible repayment arrangements including fortnightly direct debits. Council presently has 376 ratepayers utilising fortnightly direct debit. Ratepayers have the option to make payments using any method that suits them including BPAY and BPOINT telephone and internet payment systems and Post Billpay in person at any post office.

## **Interest reduction**

Council staff are delegated the power<sup>5</sup> to write off interest charges where payment of the interest will cause hardship. Assistance is upon application and assessment of financial position and personal circumstances.

## **Revaluation rate increase**

Following a general revaluation of land for rating purposes Council offers financial assistance of up to \$200 to ratepayers whose rates have increased by a higher percentage than an amount that Council determines each revaluation, generally to provide potential assistance to the 5% of ratepayers who have experienced the largest increase in rates as a result of the revaluation. This assistance is provided under section 601 of the Local Government Act 1993 which permits financial assistance for one year following the three yearly general revaluation. Assistance is upon application and assessment of applications is in accordance with a formula and is delegated to staff. Council budgets \$20,000 each revaluation for this assistance.

## **Backdating of pensioner concessions and extending concessions to avoid hardship**

Pensioner concessions are backdated for up to two years under Council's Debt Recovery and Hardship policy if a pensioner did not apply in a prior year when they were eligible.

Under the policy Council also deems a pensioner to be liable for paying the rates and grants them a full concession where there is a discrepancy in the ownership of the property. This may be for example where property ownership remains in the name of a deceased person and the pensioner resides in the property and has assumed responsibility for paying the rates.

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<sup>5</sup> Delegation by General Manager under section 377 of the *Local Government Act 1993* to write off interest under section 567 of the *Local Government Act 1993*

## **Deferral of rates against the estate**

Aged pensioners with net annual ordinary rates exceeding 8% of the age pension<sup>6</sup> may enter into a written agreement to defer payment of their rates until after their death. The rates, charges and interest charges accrue annually and Council sends the ratepayer a letter each year to sign and return confirming that they wish to continue the arrangement. Council currently has six deferrals in place and has had numerous agreements in place in the past thirteen years which have continued until the ratepayer has passed away and the rates have been paid out of their estate.

## **Potential affordability initiatives for pensioners**

At the outset it needs to be accepted that any affordability initiative involves a redistribution of rating burden away from one group of ratepayers to another. There is no known source of money from other tiers of government to fund rates affordability initiatives. It is Council's task to examine the merits of redistributing this rating burden and determine whether it is fair and reasonable. Three potential affordability initiatives have been identified:

1. Increase the pensioner rate concession maximum
2. Introduce a lower waste removal charge for pensioners
3. Introduce a special rebate for pensioners with large rate increases

Increasing the amount of the existing pensioner rate concession appears to be a simple response to mitigate the effect of SRV increases on pensioners. Mandatory pensioner rate concessions are calculated as half of the rates and domestic waste management charges up to \$250 maximum concession per annum. Every ratepayer has rates and domestic waste management charges exceeding \$500 per annum, so every eligible pensioner currently receives a concession of \$250 per annum.

The advantages and disadvantages of increasing the pensioner rate concession:

- ✓ Easy to understand and explain.
- ✓ Appears on rate notice as a larger amount.
- ✓ If maximum increased to eg. \$500, nearly all pensioners would receive the maximum (162 pensioner's land values are too low to reach the maximum).
- ✓ Could be phased in over seven years (eg. \$34 per assessment in year one).
- ✗ A flat concession is regressive providing proportionally lower assistance to pensioners with higher land values.
- ✗ The cost of eg. \$250 concession per pensioner assessment would cost in excess of \$1.5 million per annum after year seven.
- ✗ Funding would need to be found in SRV budget (eg. \$204,000 in year one and \$1.5 million from 2026-2027 onward).

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<sup>6</sup> If the applicant is a single pensioner the single age pension rate is used in the eligibility assessment calculation. If the applicant is a couple the couple combined age pension is used. 8% of the single age pension is \$1,887.81 while 8% of the couple combined age pension is \$2,845.86 as at 1 July 2018.

Introducing a lower waste removal charge for pensioners is an alternative option to increasing the pensioner rate concession. The main advantage of this option over increasing the pensioner rate concession is that the cost is borne by other ratepayers that use the waste removal service, removing the need to utilise SRV funds to pay for an increased pensioner concession.

The advantages and disadvantages of making lower waste removal charges for pensioners:

- ✓ Easy to understand and explain.
- ✓ Appears on rate notice as a pensioner domestic waste management service.
- ✓ All pensioners would receive the lower charge could be phased in over seven years (eg. \$34 per assessment in year one).
- ✓ Funded within the existing domestic waste management budget.
- ✗ Higher waste removal charges would apply to non-pensioners.
- ✗ A flat reduced charge is regressive providing proportionally lower assistance to pensioners with higher land values.

Introducing a special rebate might mitigate large rate increases under the SRV for those pensioners with very high land values. A small number of pensioners have very high land values. Those pensioners will experience the largest increases under a SRV.

The advantages and disadvantages of introducing a special rebate for pensioners with very large land values:

- ✓ Is relatively low cost to fund due to the small number of assessments can appear on rate notice as a special rebate.
- ✓ An additional rebate tied to land value would provide a proportional concession for those most adversely impacted.
- ✓ Could be phased in over seven years to reflect increases.
- ✗ Challenging to understand and explain.
- ✗ Mitigates but does not eliminate increases.
- ✗ Is not supported by corporate software so will require manual calculation and implementation by staff annually.
- ✗ Does not recognise that those pensioners with very high land values may have more financial options available to them.

## Affordability Initiative - Introduction of domestic waste management service reduction

To reduce the impact on pensioners it might be appropriate to introduce a different, lower waste removal charge for pensioners<sup>7</sup>, to be phased in over the seven years of the SRV.

Domestic waste management services are self-funding. Council is not permitted to raise more from domestic waste management charges than the reasonable cost of providing the service. For this reason it is not subject to rate pegging. Council has discretion concerning the charging structure. The varying nature of the charging structure over the last ten years is illustrated in Figure 4.

**Figure 4 - Domestic waste management annual charges 2010-2019**

Year	Waste Management Charge \$	Waste Service Charge \$	Additional Farm Waste Management Charge \$	Additional Red Bin \$	Additional Yellow Bin \$
2010	57	286	1	189	97
2011	73	287	1	190	97
2012	60	308	1	205	105
2013	62	336	1	224	112
2014	48	354	1	236	118
2015	63	372.50	1	198	99
2016	61	388	1	200	100
2017	57	401	1	230	115
2018	55	415	1	230	120
2019	58	418	1	240	125

The waste management charge and the waste service charge fund different costs in the domestic waste management budget. The waste management charge, currently \$58 per assessment, partially funds waste transfer stations and rehabilitation and environmental monitoring of old landfill sites. The waste service charge, currently \$418 per assessment, funds kerbside collection of waste and recyclables, and on-call bulk waste collection. If Council does not make a different (lower) domestic waste management service charge for pensioners and proceeds with a 7.5% SRV the net rates and charges bill for the average pensioner is anticipated to increase by a cumulative 60% over the next seven years, see figure 5<sup>8</sup>.

<sup>7</sup> Lower domestic waste management service charges for pensioners is proposed to apply to the first full service per rate assessment. Reduced charges are not proposed for additional services.

<sup>8</sup> The cumulative increase in total rate/charges bill is calculated as \$2,087 minus \$1,301 = \$786. \$786/\$1,301 = 60%



**Figure 5 - Pensioner average total rates and charges bill under 7.5% SRV**

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Average Pensioner Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage	58	59	61	62	64	66	67	69
Waste Service	418	428	439	450	461	473	485	497
HCC	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
<b>Payable</b>	<b>1,301</b>	<b>1,392</b>	<b>1,490</b>	<b>1,594</b>	<b>1,705</b>	<b>1,824</b>	<b>1,951</b>	<b>2,087</b>

Council may consider making different (lower) domestic waste management service charges for pensioner rate assessments. This initiative would reduce the financial impact of the SRV on pensioners. It may be appropriate to implement the reduction incrementally over the seven years of the SRV and then set pensioner domestic waste management service charges at 50% of the standard domestic waste management service charge from year 2026-2027 onward.

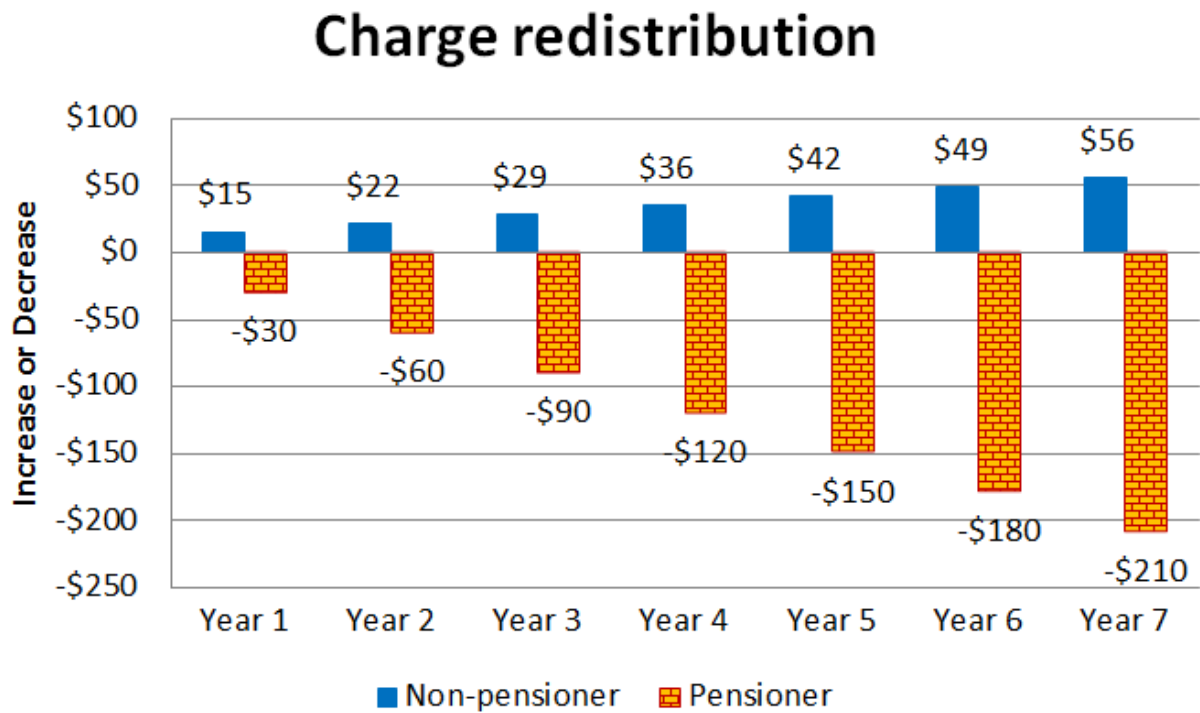
Differentiating domestic waste management charges for pensioners mitigates the 60% total rate and charges increase down to 44%<sup>9</sup>.

**Figure 6 - Pensioner average total rates and charges bill under 7.5% SRV with domestic waste management service charge differentiation**

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Average Pensioner Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	398	379	360	341	323	305	287
HCC	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
<b>Payable</b>	<b>1,301</b>	<b>1,362</b>	<b>1,429</b>	<b>1,503</b>	<b>1,584</b>	<b>1,674</b>	<b>1,771</b>	<b>1,877</b>

<sup>9</sup> The cumulative increase in total rate/charges bill is calculated as \$1,877 minus \$1,301 = \$576. \$576/\$1,301 = 44%

**Figure 7 - Change in waste removal charges for non-pensioners and pensioners if lower charges are introduced for pensioners**



**Affordability initiative – introduction of a special rebate for pensioners with very high rate increases**

There are 100 pensioner rate assessments with land values between \$510,000 and \$1,376,000. Their total rates and charges bill, even with the proposed differential (lower) waste service charges are likely to increase substantially over the seven years of a SRV. The impact of a 7.5% SRV over seven years on a pensioner ratepayer with a land value of \$510,000 is shown in figure 8. The net total rates and charges increase over the seven years is \$1,148 or 52.9%<sup>10</sup>

<sup>10</sup> The cumulative increase in total rate/charges bill is calculated as \$3,317 minus \$2,169 = \$1,148.  
 \$1,148/\$2,169 = 52.9%

**Figure 8** - Pensioner \$510,000 land value total rates and charges bill under 7.5% SRV with domestic waste management service charge differentiation

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Pensioner Rates and Charges Bill (Land Value \$510k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,916	2,060	2,214	2,380	2,559	2,751	2,957	3,179
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	398	379	360	341	323	305	287
HCC	27	28	28	29	30	31	31	32
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
<b>Payable</b>	<b>2,169</b>	<b>2,295</b>	<b>2,432</b>	<b>2,582</b>	<b>2,744</b>	<b>2,920</b>	<b>3,111</b>	<b>3,317</b>

The impact on a pensioner with the highest land value of \$1,376,000 is shown in figure 9. The net total rates and charges increase over the seven years is \$2,873 or 60.3%<sup>11</sup>

**Figure 9** - Pensioner \$1,376,000 land value total rates and charges bill under 7.5% SRV with domestic waste management service charge differentiation

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Pensioner Rates and Charges Bill (Land Value \$1,376,000k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	4,542	4,883	5,249	5,643	6,066	6,521	7,010	7,535
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	398	379	360	341	323	305	287
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
<b>Payable</b>	<b>4,768</b>	<b>5,090</b>	<b>5,439</b>	<b>5,815</b>	<b>6,221</b>	<b>6,659</b>	<b>7,132</b>	<b>7,641</b>

86 of the 100 pensioner rate assessments with land values of \$510,000 or more are located on the Tomaree Peninsula, three on the Tilligerry Peninsula, nine are farms and two are bush blocks located elsewhere in the LGA. Land across the LGA seldom increases by the same percentage each general revaluation. A review of these 100 rate assessments reveal instances of their total rate bill both increasing and decreasing in previous revaluation years. This occurs when a property's value does not increase at the same percentage as the average in the rating category. For example highly valued waterfront land might increase by 50% at a revaluation when lower valued residential land might increase by 100%, a higher percentage achieved by starting from a lower existing valuation. This effectively shifts some rating burden away from the waterfront property as its value as a percentage of the total for the land category has declined. This means that it is possible that some of the 100 highest rate paying pensioner rate assessments may face a rate increase or decrease at the next or a future revaluation. Some of the 100 highest valued properties might drop out of the top 100, displaced by other properties.

<sup>11</sup> The cumulative increase in total rate/charges bill is calculated as \$7,641 minus \$4,768 = \$2,873. \$2,873/\$4,768 = 60.3%

It is possible to grant a special rebate under section 582<sup>12</sup> of the Local Government Act 1993 to those eligible pensioners with the 100 highest land values (as at 1 July each year) to mitigate, but not eliminate, the impact of rate increases under the SRV. The rebate could be one half of the increase above the increase faced by a reference rate assessment. The reference rate assessment is the 101<sup>st</sup> highest pensioner land value. The special rebate might be calculated according to land value using the formulae in attachment 1. The formulae are of necessity complicated to ensure equity by taking into account the anticipated general land revaluations to be used for rating purposes commencing in years two and five of the SRV as well ensuring those in receipt of the special rebate do not pay less in rates than pensioners with lower land values who are not eligible for the special rebate.

No sunset clause is planned for the special rebate, should it proceed, with total special rebate funding anticipated to continue after the end of the SRV and increased by rate peg from 2026-2027 onward, subject to review by future Councils.

The combined effect of a 7.5% rate increase, introduction of a lower waste removal charge and special rebate for pensioners with high land values is shown in figure 10 and figure11.

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<sup>12</sup> Section 582 of the Local Government Act 1993 allows Council to write off rates, charges or interest due by eligible pensioner concession card holders as prescribed by clause 136 of the Local Government (General) Regulation 2005

Figure 10 - Year 1 Pensioner special rebates

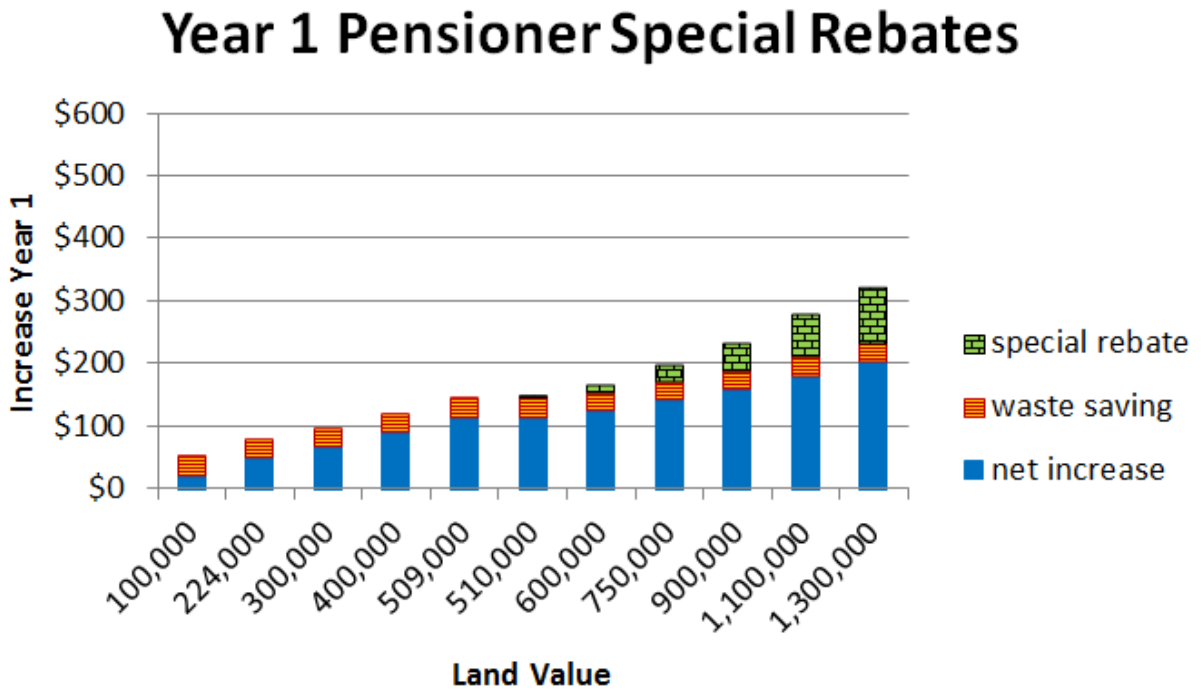
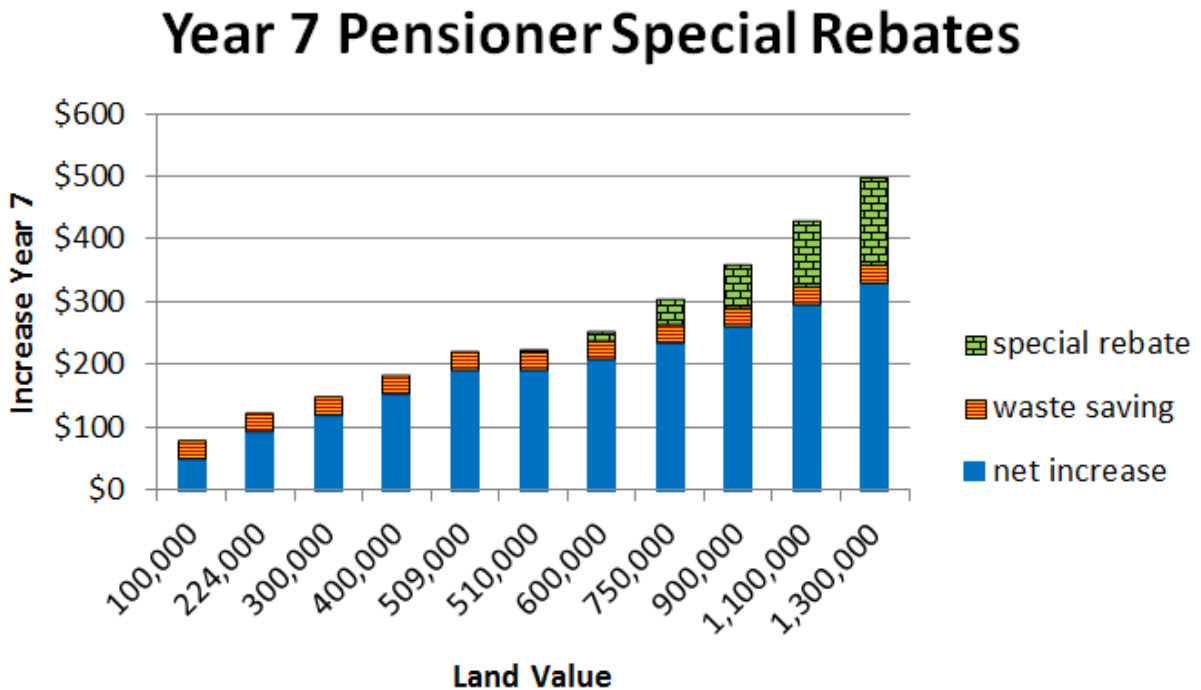


Figure 11 - Year 7 Pensioner special rebates



## **Non-pensioners**

### **Existing hardship support measures**

Council's current debt recovery and hardship policy provides the following rate hardship assistance for non-pensioners including self-funded retirees:

- Flexible repayments
- Interest reduction
- Financial assistance in the year following a general revaluation

Council has 27,888 non-pensioner rate assessments. These are predominantly residential rate assessments with 485 farmland properties and 1,823 business rate assessments. Approximately 9,500 rate notices are sent to destinations outside Port Stephens LGA.

The impact of a SRV increase is mitigated to an extent by the tax deductibility of rates as a business expense for farms, businesses and rental properties.

Self-funded retirees of retirement age are unable to access a part pension, and consequently a pensioner rate concession, if their assets or income is above the amounts in the Centrelink means test referred to earlier in this report. It is arguable that self-funded retirees have been assessed by Centrelink as having superior assets or income to pensioners and are in a more robust financial position making them less likely to require hardship assistance.

Working ratepayers and families may find increased rates difficult to afford. In addition to financial assistance for pensioners, Council might consider introducing a financial support mechanism for non-pensioner ratepayers under extreme financial hardship.

### **Williamstown Management Area**

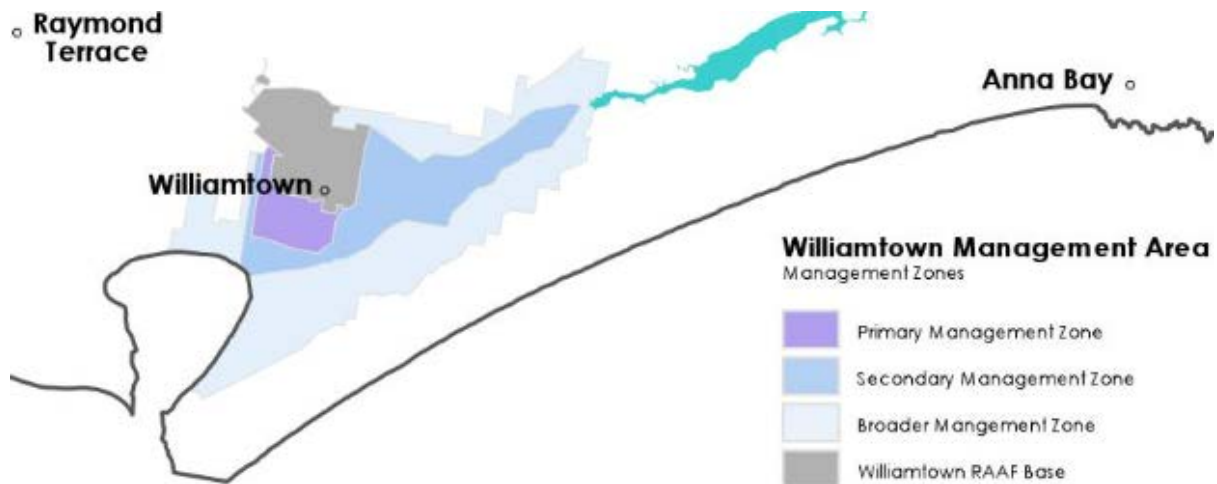
There are 515 rateable properties located within the Williamstown Management Area. For rating purposes 428 of these properties are categorised as residential, 42 are categorised as farmland and 44 are categorised as business.

In June 2016 the NSW Valuer General provided lower land values to apply to properties that were located in the former Williamstown Contamination Investigation Area. The 1 July 2013 base date land values were reduced on average 15%. After the investigation area boundary was re-defined by the EPA in late 2017 the NSW Valuer General provided lower land values to apply to properties that were added to the expanded boundary which was renamed Williamstown Management Area. The 1 July 2016 base date land values for those newly added properties were also reduced on average 15%.

In 2018-2019 Council made sub-categories of the ordinary rate in the residential and farmland categories to apply to properties located inside a boundary based on the

NSW Environment Protection Authority (EPA) Williamstown Management Area Primary, Secondary and Broader Management Zone Map dated 19 December 2017. Council made lower rates that applied in 2018-2019 to residential and farmland properties within the sub-category areas.

**Figure 12 - Williamstown Management Area**



**Figure 13 - Williamstown Management Area profile as at 12 July 2018**

Rate sub-category	Number of Properties	Total Land Value \$	Average Land Value \$
Residential Williamstown Primary Mgt Zone	22	4,960,000	225,454
Residential Williamstown Secondary Mgt Zone	155	30,830,600	198,907
Residential Williamstown Broader Mgt Zone	251	52,112,000	207,618
Farmland Williamstown Primary Mgt Zone	9	2,956,000	324,444
Farmland Williamstown Secondary Mgt Zone	17	6,434,000	378,471
Farmland Williamstown Broader Mgt Zone	16	5,762,000	360,125

The lower ordinary rates Council made to apply to the Williamstown Primary Management Zone residential and farmland sub-categories were approximately 50% lower than the residential and farmland rate that applied across the remainder of Port Stephens Local Government Area (LGA). The reductions were approximately 25% in the Secondary Management Zone and 10% in the Broader Management Zone.

**Figure 14 - Port Stephens Council rate structure 2018-2019**

Category	Subcategory	Base Amount \$	Rate in \$	Base Amount Yield
Residential		369.00	0.30330	35%
Residential	Williamstown Primary Mgt Zone	184.00	0.15135	35%
Residential	Secondary Management Zone	276.00	0.22703	38%
Residential	Broader Management Zone	331.20	0.27243	37%
Farmland		369.00	0.30330	22%
Farmland	Williamstown Primary Mgt Zone	184.00	0.15135	27%
Farmland	Secondary Management Zone	276.00	0.22703	23%
Farmland	Broader Management Zone	331.20	0.27243	25%
Business		1,557	0.8513	35%

The beneficial financial impact of implementing sub-categories for Williamstown Management Area, on average ratepayers within those sub-categories, is shown in figure 15.

The total benefit provided through this sub-categorisation is approximately \$90,000 in 2018-2019 with the cost being borne re-distribution of burden to other ratepayers at a cost of approximately \$2.71 per rate assessment.

Council will need to reassess whether to continue the different land categories for Williamstown Management Area as part of the 2019-2020 Integrated Planning and Reporting process.



Rate or Charge	2018-2019 Rate/Charge	2018-2019 Levy	Last Year Rate/Charge	Last Year Levy	Change
<b>Williamstown Primary Management Zone</b> Average <i>Residential</i> Land Value: \$225,454					
Rate (applied to land value)	0.15135c	\$341.22	0.2961c	\$667.56	-\$326.34
Base Amount	\$184.00	\$184.00	\$360.00	\$360.00	-\$176.00
Waste Management Charge	\$58.00	\$58.00	\$55.00	\$55.00	\$3.00
Domestic Waste Management Service Charge	\$418.00	\$418.00	\$415.00	\$415.00	\$3.00
Hunter Local Land Services Catchment Contribution	0.0111c	\$25.02	0.0110c	\$24.79	\$0.23
On Site Sewage Management Renewal to Operate Fee	\$117.00	\$117.00	\$114.00	\$114.00	\$3.00
<b>Totals</b>		<b>\$1,143.24</b>		<b>\$1,636.35</b>	<b>-\$493.11</b>
<b>Williamstown Primary Management Zone</b> Average <i>Farmland</i> Land Value: \$328,444					
Rate (applied to land value)	0.15135c	\$497.09	0.2961c	\$972.52	-\$475.43
Base Amount	\$184.00	\$184.00	\$360.00	\$360.00	-\$176.00
Waste Management Charge	\$58.00	\$58.00	\$55.00	\$55.00	\$3.00
Domestic Waste Management Service Charge	\$418.00	\$418.00	\$415.00	\$415.00	\$3.00
Hunter Local Land Services Catchment Contribution	0.0111c	\$36.45	0.0110c	\$24.79	\$11.66
On Site Sewage Management Renewal to Operate Fee	\$117.00	\$117.00	\$114.00	\$114.00	\$3.00
<b>Totals</b>		<b>\$1,310.54</b>		<b>\$1,941.31</b>	<b>-\$630.77</b>
<b>Williamstown Secondary Management Zone</b> Average <i>Residential</i> Land Value: \$198,907					
Rate (applied to land value)	0.22703c	\$451.57	0.2961c	\$588.96	-\$137.39
Base Amount	\$276.00	\$276.00	\$360.00	\$360.00	-\$84.00
Waste Management Charge	\$58.00	\$58.00	\$55.00	\$55.00	\$3.00
Domestic Waste Management Service Charge	\$418.00	\$418.00	\$415.00	\$415.00	\$3.00
Hunter Local Land Services Catchment Contribution	0.0111c	\$22.07	0.0110c	\$21.87	\$0.20
On Site Sewage Management Renewal to Operate Fee	\$117.00	\$117.00	\$114.00	\$114.00	\$3.00
<b>Totals</b>		<b>\$1,342.64</b>		<b>\$1,554.83</b>	<b>-\$212.19</b>

Figure 15 Williamstown Management Area change in total rates and charges bill 2017-2018 to 2018-2019

Rate or Charge	2018-2019 Rate/Charge	2018-2019 Levy	Last Year Rate/Charge	Last Year Levy	Change
<b>Williamstown Secondary Management Zone</b> Average <i>Farmland</i> Land Value: \$378,471					
Rate (applied to land value)	0.22703c	\$859.24	0.2961c	\$1,120.65	-\$261.41
Base Amount	\$276.00	\$276.00	\$360.00	\$360.00	-\$84.00
Waste Management Charge	\$58.00	\$58.00	\$55.00	\$55.00	\$3.00
Domestic Waste Management Service Charge	\$418.00	\$418.00	\$415.00	\$415.00	\$3.00
Hunter Local Land Services Catchment Contribution	0.0111c	\$42.01	0.0110c	\$41.63	\$0.38
On Site Sewage Management Renewal to Operate Fee	\$117.00	\$117.00	\$114.00	\$114.00	\$3.00
<b>Totals</b>		<b>\$1,770.25</b>		<b>\$2,106.28</b>	<b>-\$336.03</b>
<b>Williamstown Broader Management Zone</b> Average <i>Residential</i> Land Value: \$207,618					
Rate (applied to land value)	0.27243c	\$565.61	0.2961c	\$614.75	-\$49.14
Base Amount	\$331.20	\$331.20	\$360.00	\$360.00	-\$28.80
Waste Management Charge	\$58.00	\$58.00	\$55.00	\$55.00	\$3.00
Domestic Waste Management Service Charge	\$418.00	\$418.00	\$415.00	\$415.00	\$3.00
Hunter Local Land Services Catchment Contribution	0.0111c	\$23.04	0.0110c	\$22.83	\$0.21
On Site Sewage Management Renewal to Operate Fee	\$117.00	\$117.00	\$114.00	\$114.00	\$3.00
<b>Totals</b>		<b>\$1,512.85</b>		<b>\$1,581.58</b>	<b>-\$68.73</b>
<b>Williamstown Broader Management Zone</b> Average <i>Farmland</i> Land Value: \$360,125					
Rate (applied to land value)	0.27243c	\$981.08	0.2961c	\$1,066.33	-\$85.25
Base Amount	\$331.20	\$331.20	\$360.00	\$360.00	-\$28.80
Waste Management Charge	\$58.00	\$58.00	\$55.00	\$55.00	\$3.00
Domestic Waste Management Service Charge	\$418.00	\$418.00	\$415.00	\$415.00	\$3.00
Hunter Local Land Services Catchment Contribution	0.0111c	\$39.97	0.0110c	\$39.61	\$0.36
On Site Sewage Management Renewal to Operate Fee	\$117.00	\$117.00	\$114.00	\$114.00	\$3.00
<b>Totals</b>		<b>\$1,945.25</b>		<b>\$2,049.94</b>	<b>-\$104.69</b>

## Impact and affordability

Any proposal to differentiate domestic waste management service charges for pensioners will increase those charges for non-pensioners. The redistribution of charging burden per rate assessment for each year is shown in Figure 16.

**Figure 16** - Additional cost to non-pensioners, per rate assessment

2018-19	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
\$0	\$15	\$22	\$29	\$36	\$42	\$49	\$56

This charging burden redistribution means that the 28,092 non-pensioner waste services would in 2025-2026 pay \$56 more than would otherwise be the case if domestic waste management service charges were not reduced for the 6,049 pensioner waste services. Put another way, it would cost non-pensioners \$56 a year more in 2025-2026 to save each pensioner \$210. It is arguable that applying a lower charge on pensioner waste services is not cross-subsidisation, but a recognition of the potentially lower consumption, occupancy and waste generation in pensioner households.

The impact on the total rates and charges bill for non-pensioners is shown in figure 17 and figure 18. The cumulative increase in figure 17 is 51%<sup>13</sup> and 54%<sup>14</sup> in figure 18.

**Figure 17** - Non-pensioner average total rates and charges bill under 7.5% SRV

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Average Residential Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	428	439	450	461	473	485	497
HCRCMA	27	28	28	29	30	31	31	32
<b>Payable</b>	<b>1,551</b>	<b>1,642</b>	<b>1,740</b>	<b>1,844</b>	<b>1,955</b>	<b>2,074</b>	<b>2,201</b>	<b>2,337</b>

<sup>13</sup> The cumulative increase in total rate/charges bill is calculated as \$2,377 minus \$1,551 = \$786. \$786/\$1,551 = 51%.

<sup>14</sup> The cumulative increase in total rate/charges bill is calculated as \$2,392 minus \$1,551 = \$841. \$841/\$1,551 = 54%.

**Figure 18** - Non-pensioner average total rates and charges bill under 7.5% SRV with domestic waste management service charge differentiation

SRV 7.5% x 7 years Rate Charge Item	2018-2019 Current Bill	Average Residential Rates and Charges Bill (Land Value \$224k)						
		Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$
Rates	1,048	1,127	1,211	1,302	1,400	1,505	1,617	1,739
Waste Manage.	58	59	61	62	64	66	67	69
Waste Service	418	444	461	479	497	515	534	552
HCRCMA	27	28	28	29	30	31	31	32
<b>Payable</b>	<b>1,551</b>	<b>1,658</b>	<b>1,761</b>	<b>1,872</b>	<b>1,990</b>	<b>2,116</b>	<b>2,250</b>	<b>2,392</b>

**Support for ratepayers (non-pensioners) under financial hardship**

In addition to flexible repayment options, potential interest reductions, and potential financial relief of up to \$200 in the year following a revaluation it may be appropriate to initiate a welfare rate assistance program for non-pensioners experiencing substantial financial hardship.

It is proposed that Council might partner with welfare and/or financial counselling services to act as a referral point for ratepayers experiencing financial hardship. The welfare agency would be empowered to assess ratepayer's individual financial circumstances and recommend to Council that rates and charges up to, say \$250, be written off due to financial hardship. Each participating welfare agency would be given an annual limit to the amount they can recommend for financial assistance, for example \$5,000. The assistance would be limited to non-pensioners to assist working families, individuals or unemployed people who are experiencing financial hardship and difficulty paying rates. The welfare agency would contact Council to recommend assistance. Council would check to ensure the ratepayer is not in receipt of a pensioner rate concession and provide confirmation to the welfare agency. A credit would then be processed to the ratepayer's rate assessment. A record of all assistance would be kept and assistance would be limited to, say \$250 per ratepayer per annum.

The proposal would be included in Council's revenue policy annually so that it is publicly exhibited as a proposed donation for a class of individuals under section 356 of the Local Government Act 1993 and the aggregated cost included in the annual report.

The initiative is based partially on Newcastle City Council's welfare assistance program which involves printed vouchers for \$65 being distributed to welfare agencies that can be applied to rates. Newcastle Council reports that their program has a budget of around \$29,250 and not all vouchers are utilised each year.

Council proposes to provide more substantial assistance and make it more accessible than a printed voucher program.

## Attachment A - SRV special rebate formula

### SRV year 1 (2016 base date land values)

$$SP^1 = ((Rate^1 \times Incr^1) - (Rate^2 \times Incr^1)) \times 50\%$$

where:

$SP^1$  = special rebate in year 1 of the SRV

$Rate^1$  = individual pensioners current year ordinary ad valorem rates<sup>15</sup>

$Rate^2$  = reference property (101<sup>st</sup> highest pensioner land value) current year ordinary ad valorem rates

$Incr^1$  = SRV percentage increase

A worked example for a pensioner with a \$510,000 land value

$$\begin{aligned} SP^1 &= ((\$510,000 \times 0.003033 \times 0.075) - (\$509,000 \times 0.003033 \times 0.075)) \times 50\% \\ &= (\$116.01 - \$115.78) \times 50\% \\ &= \$0.12 \end{aligned}$$

A worked example for a pensioner with a \$1,376,000 land value

$$\begin{aligned} SP^1 &= ((\$1,376,000 \times 0.003033 \times 0.075) - (\$509,000 \times 0.003033 \times 0.075)) \times 50\% \\ &= (\$313.01 - \$115.78) \times 50\% \\ &= \$98.62 \end{aligned}$$

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<sup>15</sup> For the purpose of the worked examples the 2018-2019 residential rate of 0.003033 plus 7.5% is used as the 2019-2020 rates were unable to be calculated at the time of writing this report

## SRV year 2 (2019 base date land values)

$$SP^2 = \text{SumSP}^1 + (\text{SumSP}^1 \times (1 + \text{Incr}^1)) / (\text{SumLV}^1 - (\text{RefLV} \times 100)) \times (\text{PenLV} - \text{RefLV})$$

where:

$SP^2$  = special rebate in year 2 of the SRV

$\text{SumSP}^1$  = the sum of all special rebates granted in year 1

$\text{Incr}^1$  = SRV percentage increase

$\text{SumLV}^1$  = sum of 100 highest pensioner land values<sup>16</sup>

$\text{RefLV}$  = reference property (101<sup>st</sup> highest pensioner land value at 1 July 2020)

$\text{PenLV}$  = eligible pensioner land value (in top 100 land values at 1 July 2020)

A worked example for a pensioner with a \$510,000 land value

$$\begin{aligned} SP^2 &= \$3,012 + (\$3,012 \times 1.075) / (\$77,385,000 - \$50,900,000) \times (\$510,000 - \$509,000) \\ &= \$6,250 / 26,485,000 \times \$1,000 \\ &= \$0.24 \end{aligned}$$

A worked example for a pensioner with a \$1,376,000 land value

$$\begin{aligned} SP^2 &= \$3,012 + (\$3,012 \times 1.075) / (\$77,385,000 - \$50,900,000) \\ &\quad \times (\$1,376,000 - \$509,000) \\ &= \$6,250 / 26,485,000 \times \$867,000 \\ &= \$204.60 \end{aligned}$$

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<sup>16</sup> In year two of the SRV there will be a revaluation which may cause some properties to drop out of the 100 highest pensioner land values, and other properties to enter the list. Land values used in these examples reference the existing 2013 base date land values and land value totals

### SRV year 3 (2019 base date land values)

$$SP^3 = \text{SumSP}^1 + (\text{SumSP}^1 \times (1 + \text{Incr}^1)) + (\text{SumSP}^1 \times (1 + \text{Incr}^1) \times (1 + \text{Incr}^1)) \\ / (\text{SumLV}^1 - (\text{RefLV} \times 100)) \times (\text{PenLV} - \text{RefLV})$$

where:

SP<sup>3</sup> = special rebate in year 3 of the SRV

SumSP<sup>1</sup> = the sum of all special rebates granted in year 1

SumLV<sup>1</sup> = sum of 100 highest pensioner land values

RefLV = reference property (101<sup>st</sup> highest pensioner land value at 1 July 2021)

PenLV = eligible pensioner land value (in top 100 land values at 1 July 2021)

Incr<sup>1</sup> = SRV percentage increase

A worked example for a pensioner with a \$510,000 land value

$$SP^2 = \$3,012 + (\$3,012 \times 1.075) + (\$3,012 \times 1.075 \times 1.075) \\ / (\$77,385,000 - \$50,900,000) \times (\$510,000 - \$509,000) \\ = \$9,731 / 26,485,000 \times \$1,000 \\ = \$0.37$$

A worked example for a pensioner with a \$1,376,000 land value

$$SP^2 = \$3,012 + (\$3,012 \times 1.075) + (\$3,012 \times 1.075 \times 1.075) \\ / (\$77,385,000 - \$50,900,000) \times (\$1,376,000 - \$509,000) \\ = \$9,732 / 26,485,000 \times \$867,000 \\ = \$318.58$$

**SRV year 4 (2019 base date land values)**

**SRV years 5 to 7 (2022 base date land values)**

**Return to rate peg 2026-2027**

In years 4 to 7 the same rationale is applied to the calculation of the special rebate. The sum of the rebates provided in year 1 is multiplied by the SRV percentage increase incremented by an additional year. The estimated sum of all rebates to be applied appears in figure 19

Figure 19 estimated sum of all special rebates by year

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	2026-2027
SRV	SRV	SRV	SRV	SRV	SRV	SRV	Rate peg
7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	2.5%
\$3,012	\$6,250	\$9,732	\$13,475	\$17,498	\$21,822	\$26,471	\$27,133

Figure 20 shows the estimated ordinary rates and mandatory and special rebate for a range of pensioner rate assessment with high land values making them eligible for the special rebate



**Figure 20 - Sample pensioner ordinary rates including mandatory and special rebates**

SRV 7.5% x 7 years Land Value	2018-2019 Current Rates	Pensioner Rates - including Mandatory and Special Rebates							
		Year 1 7.5% \$	Year 2 7.5% \$	Year 3 7.5% \$	Year 4 7.5% \$	Year 5 7.5% \$	Year 6 7.5% \$	Year 7 7.5% \$	2026-2027 2.50% \$
510,000	1,916	2,060	2,214	2,380	2,559	2,751	2,957	3,179	3,258
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Sp. Rebate	-	- 0.11	- 0.23	- 0.36	- 0.50	- 0.65	- 0.81	- 0.98	- 1.00
	1,666	1,810	1,964	2,130	2,308	2,500	2,706	2,928	3,007
600,000	2,189	2,353	2,530	2,719	2,923	3,143	3,378	3,632	3,722
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Sp. Rebate	-	- 10.35	- 21.48	- 33.44	- 46.30	- 60.12	- 74.98	- 90.96	- 93.23
	1,939	2,093	2,258	2,436	2,627	2,832	3,053	3,291	3,379
750,000	2,644	2,842	3,055	3,285	3,531	3,796	4,080	4,387	4,496
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Sp. Rebate	-	- 27.41	- 56.88	- 88.56	- 122.61	- 159.22	- 198.57	- 240.88	- 246.90
	2,394	2,565	2,749	2,946	3,158	3,387	3,632	3,896	3,999
900,000	3,099	3,331	3,581	3,850	4,139	4,449	4,783	5,141	5,270
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Sp. Rebate	-	- 44.47	- 92.28	- 143.67	- 198.92	- 258.31	- 322.15	- 390.79	- 400.56
	2,849	3,037	3,239	3,456	3,690	3,941	4,211	4,501	4,619
1,100,000	3,705	3,983	4,282	4,603	4,948	5,319	5,718	6,147	6,300
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Sp. Rebate	-	- 67.22	- 139.48	- 217.16	- 300.67	- 390.44	- 486.94	- 590.68	- 605.45
	3,455	3,666	3,892	4,136	4,397	4,679	4,981	5,306	5,445
1,300,000	4,312	4,635	4,983	5,357	5,759	6,190	6,655	7,154	7,333
Rebate	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250	- 250
Sp. Rebate	-	- 89.97	- 186.69	- 290.66	- 402.43	- 522.58	- 651.74	- 790.59	- 810.35
	4,062	4,295	4,546	4,816	5,106	5,418	5,753	6,113	6,272