

## Reviewing options for Residential Rates for Pittwater Council for 2007 to 2012.

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There's a saying: "Don't confuse me with more information because I've already made up my mind." That message seems to be conveyed in the article in the Manly Daily 18 April 2007.

Members of Palm Beach and Whale Beach Association (PB&WBA) represent over 270 of the properties in Palm Beach and Whale Beach. This association asks Pittwater Council to accept the following review to be soundly and equitably based.

PB&WBA much appreciated the information evening on Wednesday 9<sup>th</sup> May when Council staff presented a mass of information very effectively and then opened the meeting to questions and comments.

Many people seem to be either shocked or confused by all the information and have been having difficulty accepting the magnitude of some of the changes and working out what will be best and fair and equitable.

This submission is an attempt to offer sound information and advance the job of sorting out priorities for arriving at the best way forwards. PB&WBA think it important that there is recognition at this stage for the need to be forward looking rather than hanging on to the past.

There is no way of escaping some hard facts. Firstly the revaluations imposed on both us and Council as from 1/7/2006. Secondly Council needs to collect \$24.563 million from 21742 residential households. That averages \$1,130 per household. That is equitable and the more variation from that the greater the inequities.

Once the \$1,130 average rate is accepted as the most egalitarian then it can be seen that comparisons between what each household is currently paying with what they could pay under Option A, B and C is a flawed process. Such comparisons are flawed by comparing one inequitable solution with another inequitable solution. In addition such comparisons are burdened with the complication of the wide differences in changes to land valuations. Comparisons should only be between current rates and the \$1,130 average for the future.

Of the options presented, Option C with the 50% base (\$564) and ad valorem of 0.08605% is the most equitable. This is a matter of fact because the departures from the \$1,130 average are smaller.

Looking at Option C in more detail needs doing for each property owner but best here is to look at Slide 28 shown on Wed 9<sup>th</sup> May. This slide divides all residential rate payers into ten groups each with 2174 properties. This shows the contribution each group make to the total rates collected. This allows a comparison to be made between of the top 10 % of properties with the bottom 10% of properties and it shows that 70% of properties pay less than the average \$1,130 and 10% pay about the average. The top 10% group of 2174 properties are on an average new land value of \$2,162,129 and paying \$2,424 rates. The lowest 10% have an average new land value of \$122,348 and are paying \$669 rates. Thus the top 10% of properties would be paying 21.4% of the total rates collected by comparison with 5.9% being paid by the lowest 10%. Thus the top group are paying 2.14 times the average and the bottom would be paying 59% of the average. On average the top 10% group would be paying 3.62 times more than the lowest 10% group. With Option C the top 20% pay 33.5% of the total rates. If a comparison was made between the top 1% and the lowest 1% of land valuations more figures are needed but slide 30 shows the top 118 properties (i.e. 0.54%) contribute 2.83 % of all rates which is more than 5 times the average and 9.8 times the average for the lowest 1%.

### Other flaws also deserve comment.

1. Slide 7 on the "**Basis of Rates**" states that local "government ... routinely providing public services which retain or enhance the value of private property (such as local roads, garbage disposal, parks, footpaths)." This is riddled by flaws. Many services including garbage disposal are paid for on a user pays basis. Otherwise services are for the public. Council normally gets private property owners to pay for services and improvements to private properties. Lots of road and other reserves are neglected by Council and depend on volunteers. Many of the most highly valued blocks are without footpaths and curbing and guttering and these rate payers are acceptant that most of the lower valued blocks have footpaths and curbing and guttering. Council seem to do more to close the public footpath from Northview Road to Ocean Road rather than do maintenance work: how many rate payers have been involved in this decision making process? Not long ago residents of Whale Beach strenuously resisted Council's desire to improve Whale Beach, but this has not done much to

contain the recent increases to land values for Whale Beach.

2. **Benefit principle.** Most benefit is actually for the public rather than land owners. Land values are the result of market forces and here location, land area and terrain, views and access to open water are the main drivers. Amenities provided by Council have very little influence on land values. Even the library and all its services are available to all including people from anywhere. Free parking stickers are much valued by rate payers but then some rate payers think there should be higher charges for extra tickets to help alleviate shortages of parking spaces. PB&WBA are not aware of differences in Council services between different valued properties.
3. **Ability to pay principle.** This would need a means test and PB&WBA are not aware of a means test being used. It is a fallacy to imply that higher valued properties are owned by more affluent people. This assumption is reasonable for the recent purchases but what about properties owned by the same family for decades with some owned by pensioners some of whom are financially stressed due to impaired health? Council willingly allow the accrual of rates and interest on the rates and make a good profit on it. That is offered to people with difficulties with big rate bills. This solution seems to be ignored when the other below average rate payers are being asked to pay their fair share. What about the lower valued properties occupied by double and triple income households? I know financially stressed situations where resolution is burdened by time consuming bureaucracy which is not seen as good enough reason for rate relief.
4. **Rebates for pensioners and concession holders.** No changes to these are under consideration. These rebates have been unchanged for years. These property owners occupy land from the top 1% of values right through to the lowest values. All have been affected more or less by land revaluations and the decisions on rate options will impact pensioners much the same as other rate payers. However PB&WBA strongly support Councils efforts to secure increases for these 11% of Pittwater's rate payers.

## The other options.

**Option A** The present system with the ad valorem rate subject to the \$603 minimum has served Pittwater Council well in the past largely because the minimum has been quite high and the range of land values used to be smaller than it has become with the latest revaluations. Currently the top 10% of properties contribute 25.7% of Council residential rates and the lowest 10% are all paying the minimum and this group contribute 5.3% of the rates. Next year Option

A would cause the top 10% to contribute 31% of residential rates while the lowest group would continue on 5.3%. Currently the top 20% contribute 39% of the rates and next year with this option A the top 20% of ratepayers will contribute 44.6% of all residential rates. Increasingly Australian society has been applying the "user pays" principal so such dependence on the ad valorem system is being phased out. I understand that just over half the Councils in NSW have now adopted the 50% Base Amount Option C.

**Option B** This has a 25% Base Amount (\$282) and the balance ad valorem. Because this has no minimum the lowest 10% group contribution to rates drops to 3.9% and because every property pays the base \$282 the top 10% benefits with the highest group contribution of 27.2%. Option B will cause the top 20% of ratepayers to pay 40.3 % of all residential rates. The disparity between top and bottom 10% blows out to nearly seven fold.

### **Alternative compromises.**

In view of the past comfort with the current \$603 minimum this could be achieved for the lowest 10% group by using a base amount of 42.78% (\$483) with an ad valorem 0.098439%. Currently the two lowest groups amounting to 20% of residential rate payers contribute 10.6% of rates and this amount could be achieved with a base amount of 39.47% (\$445) and ad valorem of 0.104112%. It is likely Council would prefer to settle for a compromise of say a Base Amount of 43% or 40%. All of these would be more equitable than Option A (the current system) or Option B with only 25% Base Amount.

It should be noted that this lowest 10% group with an average land value of \$122,348 ranges in land values from \$185,680 down to less than \$50,000. Thus this should be considered when considering Option B and C and the alternative compromises offered here.

### **Conclusion.**

**Just how much more can be expected from the top groups by way of a subsidy for the 70% of rate payers paying less than the \$1,130 average and the Council continue to claim "our decisions will be fair and equitable"? (See "Ethics: page 16 of section 1 of the draft Management Plan 2007-2012.) The fact is that the higher the dependence on ad valorem for the collection of residential rates then the more punitive, unfair and inequitable it is for the higher valued properties which cost Council no more to service.**