

CARBON TAX ADJUSTMENTS

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Responsible/Authorising Officer:



Bill Lyon
Chief Executive Officer

Author:

Linnet Batz
Chief Financial Officer

PURPOSE

The purpose of this report is to seek Council's endorsement of a one off refund to Redland City Council rate payers due to a change in Carbon Tax legislation and to agree to update associated fees and charges for 2014/15.

BACKGROUND

Following a recent decision by Federal Government to repeal the carbon pricing mechanism Redland City Council (RCC) has been considering the scope for passing on possible cost savings to local rate payers.

The change to the carbon pricing mechanism is effective from the 1st July 2014 and is not retrospective in nature. As RCC does not specifically track the carbon tax related component of all expenditure it is not able to produce an accurate figure for the savings which will be realised. At this point only a refund from Brisbane City Council (BCC) can be easily identified. RCC is also not able to predict savings which may be passed on by suppliers.

Any payment to rate payers can be made under section 9(1) of the Local Government Act 2009 which states 'a local government has the power to do anything that is necessary or convenient for the good rule and local government of its local government area'. This will allow RCC to determine who will get a refund and when.

ISSUES

To date only Brisbane City Council (BCC) have indicated that they will make a repayment to RCC which is approximately \$2.2m relating to the carbon tax component of landfill charges for 2012/13 and 2013/14 and they will remove the carbon tax component of landfill fees for 2014/15. This was voted on by their council on the 29th July 2014 with a final figure and payment expected by the end of August.

The BCC refund can be attributed to either kerbside collection or transfer station drop offs. In most cases it is not possible to identify individuals and companies responsible for transfer station drop offs. Only the kerbside pick-up component can be directly related to RCC rate payers.

Analysis of the expected BCC refund for 2012/13 and 2013/14 shows that \$1.59m relates to kerbside collection and \$0.61m to transfer station drops offs. The 2014/15 savings estimate is approx. \$0.86m and is based on estimated tonnage, at a carbon tax rate of \$20 per tonne and 55,612 residential and commercial properties receiving kerbside pick-up as at the 30th June 2014.

If RCC only makes payment to rate payers with kerbside collection this does not include rate payers in multi dwelling properties or others who have commercial arrangements with JJ Richards. As legislation is not retrospective these properties are unlikely to receive a refund for past years and may not even see a reduced service fee for 2014/15. They would need to negotiate this with their supplier.

As Council does not directly link costs to rates charged it would be feasible to not link the refund directly to a specific charge (e.g. waste collection) but rather to apply this to the entire rate payer base. This would help address the concerns of a large number of residents who would not otherwise receive a rebate even though RCC could see savings in other areas which have not yet been identified. There may still however be issues raised as there would only be one refund applied to single land parcels with multiple dwellings.

If actual and estimated saving for kerbside collection are applied across the entire rate payer base of 63,761 (at end June) this equates to \$38.48 per rate payer. The rate payer base used for the calculation includes vacant land and excludes council owned properties. To note BCC recently announced that it would make a one off refund to rate payers of \$36.

As payments will only be made to eligible rate payers at the point of the relevant rate run there may still be issues with changes to ownership and previous occupants claiming they are entitled to a payment. As stated previously RCC is able to determine who receives payment and it would not be feasible to profile ownership over the last two years and adjust payments accordingly.

Points to note about any payment are:

- 2014/15 savings are only an estimate and will not exactly match the year end position as number of rate payers and tonnage will vary throughout the year.
- If making payment with the October rate run RCC is providing a credit prior to actual rates and charges being received.
- The retention of the historical transfer station component of the BCC payment will ensure that Council is not in the position of paying out more than received if estimates for 2014/15 experience a large shift.

A query was raised with BCC regarding their ability to refund money relating to financial years where the carbon tax pricing mechanism remains in force. It has been explained that the mechanism charged over future decades for waste disposed today and rather than charge users for each year after disposal BCC calculated an upfront charge which would cover future tax liabilities. It is the balance of the fee which has not yet been remitted in tax which is being returned to RCC.

It is also proposed that commercial and industrial waste disposal charges for 2014/15 are adjusted to reflect the decreased charges being levied by BCC. Original and revised charges are in the table below.

	2014-15 Adopted Fees & Charges	2014-15 Amended Fees & Charges
Commercial & Industrial	\$155.45 per tonne	\$139.60 per tonne
<i>Minimum Charge</i>	\$29.3 min charge	\$28.00 min charge

The shift in rate per tonne does not reflect the full \$20 cost reduction due to the available data at the point of each calculation. Original fees were calculate on the 2013/14 budget figures and the revised charge is calculated on the now know 2014/15 figures which have increased. By decreasing the charge by only \$15.85 RCC ensures that it continues to operate this service on a full cost recovery basis.

Disposal charges which relate to other services provided by BCC have not been adjusted as they are currently being charged at below full cost recovery. Charges for services provided by different contractors e.g. green waste and tyre disposal have not been adjusted as no indication has been given that the charged rates will change.

STRATEGIC IMPLICATIONS

Legislative Requirements

The refund is permissible under section 9(1) of the *Local Government Act 2009* which states that 'A local government has the power to do anything that is necessary or convenient for the good rule and local government of its local government area'.

Risk Management

Legal advice provided through LGAQ states that '...councils are under no legal obligation to refund or remit any component of the general rates or waste management utility charges levied for the 2014/15 financial year. These rates and charges were set, in good faith, at councils' budget meetings in the reasonable expectation that they would continue to have carbon tax liability. The decision to consider some form of refund is entirely at the discretion of councils'. The one exception relates to gas utility charges which do not apply to RCC.

Financial

The cost of the payment will be covered by the refund being provided by BCC. The change to the commercial and industrial fee will reduce Redwaste revenue by approximately \$8.5k however this will be offset by a slightly larger decrease in expenses.

People

Nil impact expected.

Environmental

There are no environmental impacts as a result of this report

Social

Nil impact expected.

Alignment with Council's Policy and Plans

The recommendation primarily supports the Council's strategic priority number 8.5 to be transparent and consistent in the way we manage the organisation, its risks and obligations and ensure we are delivering against our priorities.

Consultation

This paper has been developed in consultation with the General Manager Infrastructure and Operations, General Counsel, Service Manager Revenue and Collections Management and Service Manager Redwaste.

OPTIONS

1. That the Council resolves to provide a rebate of \$38.48 to each rate payer in the October rate run and adopt the amendment to the 2014/15 Fees and Charges Schedule by decreasing the charge for Commercial and Industrial waste disposal from \$155.45 to \$139.60 (inc. GST) per tonne and reduce the minimum charge from \$29.30 to \$28.00 (inc. GST). Redwaste financials and performance indicators will be adjusted to reflect the decision.
2. That the Council resolves to make no refund available to rate payers and make no adjustment to the 2014/15 Fees and Charges Schedule. Redwaste financials and performance indicators will be adjusted to reflect the decision.

OFFICER RECOMMENDATION/ COUNCIL RESOLUTION

Moved by: Cr J Talty
Seconded by: Cr W Boglary

That Council resolves as follows:

1. To provide a rebate of \$38.48 to each rate payer on the October rate run;
2. To approve the amendment of the 2014/15 Fees and Charges Schedule to reduce the Commercial and Industrial waste charge from \$155.45 to \$139.60 (inc. GST) per tonne and reduce the minimum charge from \$29.30 to \$28.00 (inc. GST); and
3. That Redwaste financials and performance indicators are adjusted to reflect Council's decision.

CARRIED 10/0

Cr Elliott was not present when this motion was put.