#E2016/91832
Contact: Mr K Gainger

14 October 2016

Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
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Dear Tribunal Members

Submission to IPART's Draft Report to Local Government – August 2016
Review of the Local Government Rating System

Thank you for providing us with the opportunity to submit comments on the recommendations listed within your rating system review draft report to Local Government.

We make the following comments in response to your recommendations.

- **Allow councils to use CIV (Capital Improved Value) as an alternative to UV (Unimproved Value) in setting rates**

  We mostly **support** this recommendation and offer the following comments;

  - We would prefer that CIV be introduced as a mandatory rating method to provide consistency across all NSW councils.
  - The CIV better reflects the ability to pay and user pays rating principles, as well as taxation principles.
  - The CIV method should resolve the current rating inequity for multi occupancy properties given the current restrictions imposed levying the base or minimum component of a rate.
  - We believe CIV would be better accepted and understood by the community.
  - Capturing CIV also benefits growth calculations (see later section) and would be a more equitable method of levying the proposed Emergency Services Property Levy.
  - We agree that the option of using a minimum rating should be abolished if CIV is adopted as base amount rating structures are more equitable and more consistent with taxation principles.

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- **Allow councils to use CIV (Capital Improved Value) as an alternative to UV (Unimproved Value) in setting rates – continued…**

    - Councils not currently suited to using CIV rather than UV for rating purposes should be able to manipulate their rating structures to ensure equity providing categorisation and subcategorisation flexibility is also introduced.
    - The transitional arrangements prior to the introduction of a new CIV rating method must consider the substantial time and effort required to gather data and as a result, it may take several valuation cycles to produce a consistent and robust CIV database.
    - It is critical that IPART, Local Government and the Valuer General's Office develop an acceptable, effective and consistent CIV methodology.

- **Allow councils' general income to grow as the communities they serve grow**

  We **support** this recommendation and offer the following comments;

    - The calculation of growth outside the rate peg via the proportional increase in CIV from supplementary valuations better reflects the real cost of providing additional services to the community as a result of growth. This methodology also assists councils to be potentially more financially sustainable and may reduce the need to apply for future special rate variations.
    - We support the introduction of a new type of special rate for jointly funded infrastructure projects with other levels of Government that is outside the rate peg providing the community receives direct benefit from the infrastructure.
    - We support the amendment to section 511 of the Local Government Act 1993 (LGA) to extend the timeframe allowing the catch up of permissible income trajectory in cases where the maximum allowable increase was not applied in previous years.

- **Give councils' greater flexibility when setting residential rates**

  We **support** the recommendation to subcategorise residential rates for an area by a separate town or village or a community interest and offer the following comments;

    - An option to subcategorise based on property type, public benefit or use would have been an improvement and provided councils with greater flexibility. For example, social housing properties.
    - We acknowledge that land valuations somewhat reflect the differing services provided between localities and may make differential rating unnecessary.
    - We understand that councils may be reluctant to discriminate between different communities within each LGA on the basis of "community of interest".
    - We would prefer that the residential categorisation definition included the criteria that it must be used for residential accommodation for at least a certain period of time during a rating year to qualify (e.g. 6 months).
    - We do not agree that serviced apartments should be mandatorily categorised as residential – in some cases they are utilised no differently to business categorised motels.

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- **Give councils' greater flexibility when setting residential rates – continued…**

  We **do not support** recommendation 8 that suggests limiting the maximum difference between residential rating structures so that the highest rating structure is no more than 150% of the lowest rating structure and offer the following comments;

  - We believe that councils should have the flexibility to set the fairest and most equitable differential residential rates in consultation with their community.

- **Better target rate exemption eligibility**

  We mostly **support** this recommendation and offer the following comments;

  - We agree with the amendment of sections 555 and 556 of the LGA to exempt land based on its use rather than ownership.
  - We agree with the removal of some existing exemptions.
  - Land that is used for residential or commercial purposes should be rateable unless explicitly exempted as these purposes utilise councils services and should contribute to the cost of providing them to the community.
  - We **do not support** recommendation 12 to include **private hospitals** as an exemption under section 556(i) of the LGA. Private hospitals are commercial in purpose, mostly generate large profits and as a result have the ability to contribute to council provided services. They generally don't provide direct public benefit services to the community like public hospitals (e.g. emergency treatment).
  - We support the rating of a portion of exempt land that is not used for the exempt purpose or not used for an exempt period for part of the time.
  - We support an amendment to abolish exemptions from water and sewer charges and instead allow individual councils discretion to provide financial assistance as they see fit.
  - We support the public reporting of increased rates resulting from exemptions however, as councils don't categorise exempt land, guidelines regarding this calculation method should be introduced to ensure consistency across councils.
  - Even though an exemption does not affect notional revenue, we would like to recover the income lost as a result of refunding rates in the year an exemption was granted.
  - IPART should further review rating exemptions due to continuing inequities and cross subsidisation.

- **Replace the pensioner concession with a rate deferral scheme**

  We **do not support** this recommendation and offer the following comments;

  - A rate deferral scheme means that the pensioner effectively does not receive any financial benefit whereas they do under the current system.
  - Pensioner concessions should be funded by other levels of Government as is the case in other states of Australia.
  - Recovery of a deferred debt in excess of 20 years may be difficult.
  - Pensioners may be reluctant to take up the scheme to avoid leaving a debt for their estate to pay.

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- **Provide more rating categories**

  We generally **support** this recommendation and offer the following comments;

  - We see merit with the introduction of a new “environmental land” definition however, rather than it being a mandatory categorisation it should be introduced as a discretionary subcategory. The prescribed definition needs to be succinct.
  - If an environmental land category or subcategory is introduced, rating legislation regarding conservation agreements (section 555 1 b1 of the LGA) needs review.
  - Similar to the above, we support a “vacant land” acknowledgment for rating purposes however, believe that categorisation of vacant land should be discretionary, therefore introduced as a subcategory.
  - We agree with the increased flexibility in allowing council to decide upon a default rating category.
  - We support the introduction of commercial and industrial subcategories within the business rating category.
  - We would like the different types of aged care facilities to be clearly defined as there are significant differences between them. For example, retirement villages should be rateable and nursing homes should attract lower rates or exemptions.

- **Recovery of council rates**

  We **support** this recommendation and offer the following comments;

  - We acknowledge recovery efficiencies and reduced legal costs for ratepayers if councils could engage the State Debt Recovery Office to recover overdue rates and charges.
  - We agree with the proposal to reduce the period of time to sell land for overdue rates from 5 to 3 years
  - We agree that postponed rates should be abolished however, to retain equity, would prefer to see a land valuation allowance applied to land in cases where their valuation is based on potential uses but not currently utilised for that potential use.
  - We agree with providing councils with the ability to provide discounts to ratepayers that choose to receive notice electronically.

- **Other draft recommendations**

  - We agree that base valuation dates for council rates and the new Emergency Services Property Levy (ESPL) should be aligned.
  - We support providing councils the option of engaging the Valuer General’s Office or a private valuer to supply valuation services.

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Byron Shire Council would also like to **comment on other rating matters** that we feel are important, although outside the scope of the IPART review;

- We support the abolition of **rate pegging** legislation. We believe that rates should be set in consultation with the community under the guidance of councils' adopted strategic plan. We acknowledge that this legislation is likely to remain and that proposed CIV growth calculations may result in providing Council with a mechanism to sustain future financial stability.
- If the rate pegging legislation is retained, we would like to see the introduction of a **streamlined special rate variation (SRV) application process**. Once again the proposed CIV growth calculation may result in a reduction of SRV applications.
- Councils are currently entitled to recover **income lost** as a result of a valuation objection in a rating year. We would like to see this provision also extended to **valuation re-ascertainment's** as they have exactly the same effect as objections.

Thank you again for the opportunity to comment on these important rating reforms.

Yours sincerely

[redacted]

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