



## **The Nambucca Shire submits the following comments in response to IPART's Review of Local Government Rating System. October 2016**

**Council is disappointed in the recommendation that rate pegging will remain.** Council supports the Advisory Panels option that rate pegging be replaced with rate benchmarking and argues that councils should be free to work with their communities to set rates that enable the delivery of services the communities are prepared to pay for. It is noted the draft report suggests that rating categories can be used to adjust service levels to reflect communities wiliness to pay, however while revenue is capped it would appear that the only way levels of service can be adjusted is down.

As a second option Council supports the Panel's option of introducing earned autonomy, where councils that can demonstrate consistent high performance earn complete exemption from rate pegging; or as an alternate, partial relief from rate pegging. The "Fit for the Future" reforms discussed a simplified Special Rate Variation process for "Fit" Councils. The absence of a recommendation to simplify the Special Rate Variation (SVR) process is disappointing and seems inconsistent with the commentary accompanying the "Fit for the Future" Program.

**Council welcomes the recommended changes to rate exemptions so eligibility is based on land use rather ownership.** In particular if this means Public Benevolent Institutions will be liable for rates on community housing.

### **Council supports the move to Capital Improve Value (CIV) method.**

As a rural Council with very modest growth the advantage will be small but fundamentally worthwhile. Nambucca Shire Council sees the advantages as:

- A fairer system. CIV more accurately reflects ability to pay.
- Assisting with high density developments that are not units - Mobile home parks and caravan parks; although this is not as powerful as being able to rate residents of Mobile Home Parks separately.
- Assists with multi occupancy dwellings, this is a minor advantage to Nambucca going close to no advantage without an increase in the allowable total rate income to reflect the change.
- A small advantage in growth of rate revenue from new developments; this is because population growth in the Nambucca has been averaging about 1% a year. The difference in additional income will be marginal but still welcome.

Nambucca Shire Council has the following concerns:

- That offering a choice between CIV and Unimproved Land Value (ULV) will make the system unnecessarily complex and difficult to understand and expensive to administer. Nambucca Shire Council submits that a transition to the exclusive use of CIV would be preferable and have very limited drawbacks. This aligns with accepted taxation principle - make it as simple as possible.

- Nambucca Shire Council is also concerned that acquiring CIV values may prove more expensive than the current cost of ULV values. The reforms become self-defeating if any modest increase in revenue is outstripped by increased costs. Being able to choose between the market and NSW Valuer General is of little help if they both charge substantially more than Council have previously paid for ULV's.

**Council welcomes the abolition of a minimum rate** and agrees that it is unnecessary where the use of base rate is available.

**Council supports the option to create new rating categories** however as previously mentioned it will be difficult to use the principle to adjust service levels to willingness to pay. Council is of the opinion that there would have to be a significant self-evident advantage in creating additional categories. This is based on a general principle that less complexity in the rating system, the better it is understood and less it costs to administer.

**Council supports any initiative that removes the obligation for Local Government to contribute to pensioner discounts on rates.** Council acknowledges the virtue of pensioners receiving a discount on a social equity basis but believes that Local Government is least able of all tiers of government to fund the concession. This argument is supported by the fact that NSW is the only State where Local Government is compelled to contribute to a pensioner discount. Nambucca has one of the highest proportions of assessments that are eligible for pensioner discount in the State. In 2015-16 year the total discount forgone equated to over 4% of the rate revenue.

**Council supports a new type of special rate to fund joint infrastructure projects with the State or federal government.** The concept appears a sensible approach to fund essential infrastructure.

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