

11 May 2016

Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Sir/Madam

Re: Review of Local Government Rating System

With reference to IPART'S current issues paper titled 'Review of the Local Government Rating System', Ashfield Council would like to submit the following comments on the matters discussed.

1. Do you agree with our proposed tax principles? If not, why?

Ashfield Council agrees with the principles of efficiency, equity, simplicity and sustainability, however the following comments are made concerning competitive neutrality.

- Local Government rates are not competitively neutral as they do not compete with private enterprise. The benefits principle is not always applied equitably in all rating structures.
- Rates should be seen as an asset tax on the ratepayer. Any taxing system should be easy to understand & administer with consideration to capacity and user pay functionality.

2. What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?

Capital Improved Value (CIV) is more easily understood by the public than other methods. CIV also would provide a better equity in levying rates across the LGA. Councils should be given the option of which valuation method they choose to use. It is noted however that the implementation of using the CIV would be expensive to implement, as a data base of information would be required to be established and the exact methodology of calculating and applying the CIV would need to be developed.



Ashfield Council

3. Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?

We believe that Councils should be required to use the Valuer General's property valuation services as this provides a consistent approach to all valuations and takes away any conflict of interest from private valuers.

4. What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?

If CIV is used as the basis to determine the ad valorem amounts, then no change would be required. If Land Value (LV) is used to determine the ad valorem amounts, then thought should be given to possibly increasing the limit of base amounts to provide Councils with greater options to provide equity in rates across the LGA.

5. What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?

Councils should be able to sub categorise without having to rely on centre of population/activity. Extending the categories to include for example by type of residential accommodation such as high rise or single dwellings, holiday accommodation or B & Bs.

In the case of business land a Council should be able to sub categorise a business property use across the whole of its area, rather than have a need to have different sub categories as is the case now.

It is also suggested to remove the rural residential subcategory as it is poorly understood & applied, particularly with the restriction on land size and occupation conditions.

The Mining category should be expanded to allow for other types of mines other than metalliferous and coal.

6. Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?

The current system provides inequity issues across Local Government Areas as properties with the same valuations pay different amounts of rates. This will be more relevant in proposed merged Councils during the four year rate path freeze policy period.



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7. What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?

The adoption of a Stream-lined Rate-Pegging process whereby Community consultation is considered satisfactory (as mentioned on page 44 of the Panel Report) without the need then to also obtain IPART approval.

8. What changes could be made to the rating system to better encourage urban renewal?

We agree with IPART's preliminary view. One suggestion is for the opportunity for a Council to apply a higher ad valorem rate to vacant land than is applied to occupied land.

9. What changes could be made to the rating system to improve councils' management of overdue rates?

An ability to be able to request payment from the mortgagee once 12 months rates are overdue as is the case in New Zealand.

In regards to the assumption that councils are pursuing relatively low claims it needs to be stated that the claims of \$2,000 or less represents in excess of 2 years rates in some councils.

Councils have a responsibility to their communities to ensure rates are paid in a timely manner in order to maintain a proper cash flow. It is suggested that an amendment of the electronic notice of sale form to allow the capture of e-mail addresses and phone numbers could assist in debt management.

10. Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?

All property categorised as residential and occupied should be rateable regardless of ownership as ALL such properties utilise a Councils services – in some cases properties which are currently non rateable provide a greater drain on a Councils resources than rateable properties.

If subsidies remain, they should be in the form of a partial rebate rather than full exemptions. Such a rebate should be standardised across local government areas to ensure consistency and reduce the likelihood of localised disputes and costly and time intensive negotiations and lobbying.



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11. To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?

We believe that if this were implemented, all levels of government should be required to pay rates and no longer be exempt.

12. What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?

To provide relief to low income/asset poor ratepayers. As in other states the concession scheme should be fully funded by the State Government. The NSW Independent Local Government Review – October 2013 questioned welfare measures as being the responsibility of Local Councils where doubts were raised on the appropriateness of funding at the local level.

13. We have interpreted the rate path freeze policy to mean that in the four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?

We agree with IPART's interpretation.

14. Within the rate path freeze period, should merged councils be permitted to apply for new special variations:

- For Crown Land added to the rating base?*
- To recover amounts that are 'above the cap' on development contributions set under the Environmental Planning and Assessment Act 1979?*
- To fund new infrastructure projects by levying a special rate?*

All the types of special variations mentioned above should be allowed to be applied for, however the merged entity would be required to have moved to a single valuation base date.

15. Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?

If there is a specific need identified by the community within the merged Council then an application should be allowed. Subject to a single valuation base date.

16. During the rate path freeze period, should merged councils only be able to increase base amounts and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?

No. Councils should still have the ability to apply for increases above the rate peg if required to spread the rate burden equitably.



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17. During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:
– *relative changes in the total land value of a rating category against other categories within the pre-merger council area, or*
– *the rate peg (adjusted for any permitted special variations)?*

No, this is too simplistic and does not take into account existing council rating structures and how the rating burden is proportioned within individual Councils. Long term strategy should be allowed to stay in place.

18. Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?

Yes, this option allows councils to apply their rating structures & equitably spread the rating burden.

19. What other discretions should merged councils be given in setting rates during the rate freeze period?

Councils should be able to commence rate equalisation from year two of the merger. There should be transitional legislation implemented similar to that which was in place when water values were excised from land values.

20. We considered several options for implementing the rate path freeze policy. Our preferred option is providing the Minister for Local Government with a new instrumentmaking power. What are your views on this option and any other options to implement the rate path freeze policy?

We believe that the preferred option to provide the Minister for Local Government with a new instrumentmaking power would provide the best mechanism to implement the necessary changes to the Local Government Act.

21. Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate within a centre of population be changed or removed?

Yes. The reference to Centre of population etc. should be removed.

22. Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?

No. Approved unapplied SV's should be cancelled from the date of the merger due to not all ratepayers within the newly merged Council did not have the opportunity to be part of the decision yet will be expected to contribute to that decision going forward.



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23. What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?

Merged Councils should have a re valuation in year two so all properties are on the same valuation base date.

We are unable to predict what might happen after the expiration of the 4 year rate freeze.

Ashfield Council would also recommend that the previous submission by the NSW Revenue Professionals be taken into consideration in regard to other changes that would improve the operation of the Local Government Act.

Regards


Renn Murphy
Revenue Coordinator