



13 May 2016

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

Dear Tribunal Members

Submission to IPART's Review of Local Government Rating System 2016

Thank you for providing us with the opportunity to comment on the rating matters discussed within your April 2016 Issues Paper.

Rates are an important revenue stream for councils and we believe that the current system can be improved to allow councils, in consultation with their community, greater flexibility to implement the fairest and most equitable rating structure for their local government area.

We make the following comments in response to the issues raised within your Issues Paper.

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

We agree with your key taxation principles.

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?

We would prefer that councils are provided with a choice of utilising a valuation method that best suits their rating strategies.

Our preference would be to utilise the capital improved value (CIV) method as we believe this method would best reflect the two rating principles being ability to pay and benefit. We also believe that our ratepayers may find it easier to understand and more equitable than the current unimproved valuation (UV) method.



We are wary of the additional resources and costs that may be incurred by Council to change to the CIV method from the UV method and implications this may cause to the valuation service provider. The valuation provider will require additional and extensive data from council to enable CIV valuation services.

The CIV method would result in more equitable rating of ever increasing multiple occupancy developments.

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 councils should be able to engage a valuation service provider of choice.

Our preference would be to continue to use the Valuer General (VG) for valuation services as the VG has an existing robust valuation and auditing processes, and is widely trusted by the community.

The separation of valuation and rating functions would remove any customer perception of inequitable valuation processes.

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?

We would like to see more flexible options of levying base or fixed amounts introduced.

For example, levying fixed amounts based upon the benefit rating principle for residential properties that included multiple self-contained occupancies. Generally people derive benefit from council services rather than properties and an alternative fixed amount rating system may be more equitable. A CIV valuation method may also assist in alleviating equity issues with multiple occupancy developments.

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

Categorisation generally works well and we would support a small expansion in primary categories however, sub-categorisation criteria within primary categories should be made more flexible. We would like the ability to consider sub-categorisation based on land use or property type.

Current sub-categorisation limitations are restricting our ability to consider targeting specific property types to pay a greater share of the rating burden, for example, residential properties used for temporary tourist accommodation.

Some other types of properties that councils could consider to sub-categorise include jetties, bed and breakfast establishments and vacant land.

We are wary that if more flexibility was forthcoming, it would impact councils resources and may also result in an increase in categorisation challenges that may have to be funded by councils.



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

There may be inequities between different local government areas however, any cross subsidisation would be hard to justify. We believe that councils should continue to determine an equitable rating structure in consultation with the community within their own local government area.

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?

We believe that rate pegging legislation should be abolished.

Councils in conjunction with their community should determine the total general revenue required to deliver services and to provide for a sustainable financial future. Councils strategic Integrated Planning and Reporting documents already provide a framework for these decisions and actions.

We acknowledge that the NSW Government is committed to a rating system that limits unfair rate rises on residents. If rate pegging is retained, we would support a system that streamlined a special rate variation application process and/or provided increased flexibility to vary income based on a merit system or similar criteria.

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

Generally, additional income would enable councils to fund the implementation of strategies to encourage urban renewal initiatives.

Targeted rating may also encourage urban renewal however, council would require more flexibility in determining their rating structure to implement such strategies. We have provided comments regarding rating structure setting flexibility earlier within this submission.

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

Current legislation provides adequate mechanisms for councils to recover most overdue rates and charges from ratepayers, although improvements can be made. The level of debt recovery flexibility, and the point in which legal recovery is undertaken, should be determined by the policy of each individual council.

We acknowledge that councils may be taking legal recovery action on relatively small debts, which is discouraged by the NSW Government. It is acknowledged that the ability of a council to resource its debt recovery management system will affect their policy.

The removal of some restrictions contained within unique local government debt recovery options could improve debt recovery efficiency and costs (e.g. sale of land for overdue rates, rent for rates). If the property was mortgaged, an option would be to introduce legislation requiring the lender to pay overdue rates.



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?**

Legislation has not kept up to date with changes in community expectations regarding who should be paying rates. Changing organisational structures have also resulted in some organisations meeting exemption guidelines that may be considered inappropriate to the community.

We would like the state to limit the types of organisations/land that is provided with rating exemptions and to clearly define the eligibility criteria of any mandatory exemptions.

A system of state defined non-mandatory organisation/land types could be introduced, with councils to decide on the level of exemption granted. This may allow councils to target exemptions to local based organisations that provide a service to the local community. We acknowledge that this would result in inconsistencies across local government areas.

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 agree that cross subsidisation between state and local government should be considered in conjunction with any future changes to rating exemption legislation.

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

We would like to see the pensioner concession scheme removed from being the responsibility of local government.

Providing the government is committed to providing concessions to pensioners for local government rates and charges, the government should provide the concession as part of the individual pensioner's welfare payment (similar to rent assistance).

13. to 20. **Freezing existing rate paths for newly merged councils and**
21. to 23. **Establishing new, equitable rates after the 4-year freeze**

We have no comment regarding this issue as we are not affected by any proposed amalgamations.

Once again thank you for providing the opportunity to comment on these important rating reforms that will enable us to implement the most equitable rating system for our community.

Yours sincerely


Mark Arnold
Director Corporate and Community Services



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