

Barry Smith

13 May 2016

Dr. Peter Boxall  
Chairman  
Independent Pricing & Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

Dear Dr Boxall:

**IPART Review of the Local Government Rating System (Issues Paper)**

Reference is made to the recently published Issues Paper relating to the Review of the Local Government Rating System.

The following broad comments are made at this time and a more detailed submission will be provided in response to the August discussion paper.

**Equity**

Councils would agree that the rating system needs to be equitable. Areas of concern relating to the current system include:

1. Failure to take into account the growing number of asset rich and cash poor individuals, including self-funded pensioners and retirees.
2. Metropolitan areas with a high percentage of units place an inequitable burden on residential homes.

These issues are likely to become exacerbated given demographic changes (ageing population) as well as the increasing prevalence of medium/high density residential units across various urban settings within NSW.

Consideration should be given to addressing these issues, perhaps through reconsideration of the maximum minimum rate set by the Minister.

Councils should be allowed to set a maximum amount of 50% of total rates from each category that can be raised from minimum rates. This mechanism will maintain control on the size of the minimum rate, with the balance of rates being determined by valuations.

The setting of the minimum rate should be at Council's discretion and it would be proposed that Councils be required to set a total percentage of rate income to be achieved from minimum rates.

It is suggested that this be up to a maximum of 50%, therefore Councils would in any rating category, not have either their minimum rate or base charge generating more than 50% of rate income, for each rating category.

### **Rate Pegging**

There is broad agreement that rate pegging is a 'one size fits all' approach and is therefore not consistent with the principles of efficiency, flexibility nor sustainability.

It is generally agreed that rate-pegging is a regressive tax that does not allow Councils to maximise value capture.

Rate pegging does not reflect individual Council requirements and the process of seeking special rate variations fails to provide Councils with an efficient mechanism to respond or react to local requirements.

There is a general consensus that each Council remains accountable to its residents and should therefore be capable of determining its own rating charges.

### **Use of Capital Improved Value vs Unimproved Land Value**

Whilst there is some agreement that Capital Improved Value (CIV) would potentially be a more equitable measure for the purposes of rating, the cost implications for setting up and maintaining such a system, (according to the Valuer-General it would be tens of millions of dollars), would seem to be prohibitive.

For this reason, the maintenance of an Unimproved Land Value (ULV) system, utilising the Valuer-General, which has worked and been efficient and cost effective for many years should be retained.

### **Rates Exemptions**

There is general consensus that in order to achieve competitive neutrality, rate exemptions should cease for land uses that compete with the private sector.

Examples may include universities and schools that may incorporate some form of commercial activity within their operations and land holdings.

### **Pensioner Concession Scheme**

Social welfare is not an area of responsibility for Councils and the pensioner rebate scheme should be 100% funded by the State Government, which is consistent with every other state in Australia.

## **Rate Trajectory Freeze (in the Event of Council Amalgamation)**

There is broad concurrence that provisions allowing for rate harmonisation in the event of Council amalgamations will be required.

A complete rating trajectory 'freeze' is likely to see amalgamated Councils maintaining multiple rating systems with divergent trajectories – creating a future difficulty in bringing the rating systems together without ratepayers experiencing excessive rate variations across various rating categories, especially residential ratepayers.

Processes will need to be established to allow harmonisation over time otherwise there is a very real risk of significant and inequitable rate increases (or falls) for particular residents at some future point (as consolidated Councils bring divergent rating systems together).

If you require any further information in relation to these matters please do not hesitate to contact me [REDACTED]  
[REDACTED]

Yours sincerely,

Barry Smith  
GENERAL MANAGER