

Review of the Local Government Rating System

In my role as Chief Financial Officer for Cessnock City Council I am responsible for the rating and related functions and as such believe a submission is necessary. The following has been discussed and agreed at staff level but does not represent the official position of council.

I draw the Tribunal's attention to the timing of the council elections on 10 September 2016. The proposed timetable of this review currently requires any submission on the Draft Report to be made during September after release of the report. As councils will be in a period of recess, submissions in this timeframe may not be possible. I suggest that the submission timeframe be extended to the end of October 2016 to allow for this.

Except as detailed below, I fully support the submission made by the Local Government Revenue Professionals.

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

Whilst we agree with the majority of the proposed tax principles, we do not agree with the principles of competitive neutrality or ability to pay.

Local Government rates do not compete with private enterprise and as such competitive neutrality cannot be applied.

The benefits principle is supported, however it is contradictory to the ability to pay principle. If a ratepayer is expected to contribute to the funding of public goods in proportion to the benefit they receive, this cannot possibly be adopted if we also adopt ability to pay where the contribution is not linked to benefits.

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 is likely to be more easily understood by the public than other methods, however it has potential effects that are contradictory to the tax principles espoused – it may modify behaviours and as it is based on an ability to pay principle is contrary to the benefits principle.

Councils should be given the option to determine which valuation method they choose to use.

John Oliver
Chief Financial Officer
Cessnock City Council
13 May 2016