

## **IPART Review of Local Government Rating - Submission**

### **Taxation principles**

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

Council agrees with the principles set out in the Issues Paper.

### **Assessing the current method for setting rates**

#### **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?**

Council primary concerns are:

- That only one valuation method be used for all levy calculations that form part of the total rates levy. There has been some discussion relating to the proposed Emergency Services Levy and its use of CIV. If this is the case then the use of CIV for Council rates would be the most appropriate so as to avoid confusion and extra administrative costs.
- The cost of a move to CIV and who would bear that cost (at the recent public hearing held by IPART the Valuer General indicated that the likely cost of a change to CIV was in the tens of millions).

The current mandated valuation system has sufficient checks and balances for the values to be relied upon for equitable rating purposes.

#### **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)?**

The Valuer General's valuation allows for a consistent approach across both an individual Council and the State which is based on a process that has been refined over time. The use of the Valuer General as an independent party also plays an important role in securing ratepayer confidence in the land values.

#### **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?**

Council has used Base Amounts as part of its rating structure for some time. We believe that the current ability to set different Base Amounts for different categories is sufficient if the introduction of new rating categories, as mentioned in the answer to Question 5, are implemented.

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

Council believes that the ability to use sub-categories based on land uses such as vacant land etc. would enhance Councils ability to develop a rating structure that is fair and equitable. Any such changes should have practical and robust criteria so that a consistent determination of category can be made by all Councils and an increase in challenges can be avoided.

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

Council does not believe that any changes in this area are necessary.



**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?**

If the current rate pegging system is maintained then a simplified and streamlined system for Special Rate Variation applications is required to alleviate the cost to Council in both time and funds that result from the current process. It would also allow for more time to deal with both a successful or unsuccessful outcome.

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

Council deals with this area through its Section 64 & 94 policies. Council is concerned that a change to CIV, for rate calculation purposes, may discourage investment, in this area, as a resulting increase to the CIV would impact the level of rates levied.

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

Whilst the current system, through the Local Court, provides a number of avenues to pursue outstanding debts the level of relevant fees, particularly if separate actions have been required over a number of years, can be significant. Council has, on a number of occasions, ceased debt recovery action as we have not gained a satisfactory result and the level of legal fees are reaching a significant portion of the overall debt. A simplified system through the Local Court, or another avenue (such as a Tribunal), whereby costs and timeframe could be reduced would be preferable.

Council would also request IPART consideration in reducing the number of years, of overdue rates, required before a Sale of Land for Unpaid Rates process can commence. When the current five year period was set the total outstanding figure was likely to be \$2,000 to \$3,000 whilst now the figure including rates, charges, interest and legal fees can be above \$10,000. A reduction to three years or less may be appropriate.

Council would also request consideration of a system to allow the sale of vacant land when the outstanding rates do not exceed the land value. Council has a number of small pieces of land, usually accidentally left off when a transfer process takes place and identified and separately valued some time later, where the valuation is significantly higher than the annual rates. In most cases the registered owner is either deceased or has no further interest in the land. Because of their size and location these pieces of land are generally only of interest to an adjoining owner and as such the fact that Council normally has to resolve this through a Sale of Land for Unpaid Rates, process, after five years, means a timely and costly procedure.

**Assessing exemptions, concessions and rebates**

**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?**

Council supports a change in criteria which would determine exemption based on the property's use rather than ownership. Council believes that the community would expect that all properties being used for residential or commercial purposes should be treated equally independent of the ownership as they have the same capacity to use Council services.

As an example the Southern Cross University campus in Lismore includes private businesses that gain a competitive advantage, compared to other similar businesses in the Local Government Area

through to their ability to avoid payment of rates based on the ownership of the land on which they are situated.

Council supports the retention of exemption for properties owned by Religious Bodies, Educational Institutions etc. where the dominant use is in line with the organisation's primary function. However for most hospitals and universities, the benefits of such institutions are distributed beyond the local council area and therefore in keeping with the tax principles, it would be more equitable for the state government to share the funding costs of the exemption.

**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?**

Council would agree that a review of exemption is essential in conjunction with any rating exemption proposals.

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

Council believes that the pensioner concession scheme should be fully funded by the State Government, in line with funding arrangement in all other states, as the granting of these rebates is primarily a welfare issue.

The following motion was passed at Councils February 2016 meeting in relation to the current level of pension rebate prescribed in the Act.

*"That Council approach our local state member The Hon Thomas George and Local Government NSW requesting that they both lobby the Minister for Local Government to increase the pensioner rate rebate to \$300 per annum (currently \$250pa) and water and sewerage rebates to \$100pa (currently \$87.50pa). It is proposed that the state government pay 100% of these increases and index the rebates annually according to the consumer price index."*



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