

Narrabri Shire Council's Submission - Review of Local Government Rating

List of issues on which IPART seek comment

Taxation principles

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

Response: Council agrees with the tax principles as explained 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?

Response: The Act should provide some flexibility, but the system also needs to promote administrative efficiency and consistency.

Council agrees with the panel in that there should be flexibility to allow Councils to introduce a new rating category for multi-unit apartments, and to allow the use of a Capital Improved Value (CIV) method of valuation for that category, if desired. All other categories currently being valued by the Unimproved Value (UV) method should remain as such. The more choice that is introduced for individual Councils, the more inconsistency it will create across the sector.

The method of valuation for the Mining category is different from other categories in that coal mines for example, are valued on a recoverable resource basis, having regard to resources, location, difficulties of the mining operation and the type of mining operation. This is clearly different to the Unimproved Value method, and is a more appropriate method for determining value. Again, the status quo in this instance provides sector consistency.

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)?

Response: To maintain state wide consistency, the provision of valuations should remain with the Valuer General's office.

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?

Response: The base amount should not be limited to 50%. The removal of the 50% limitation would provide additional flexibility in the rating structure. Council also supports the removal of the limitation on rating minimum amounts for the same reason.

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

Response: The Business subcategory definition needs to be expanded to cater for like businesses that do not have a centre of activity, for example, grouping a number of rural businesses such as grain receiving sites, cotton gins, etc., within a Shire for rating purposes.

The present Mining category does not take into consideration other extractive industries such as Coal Seam Gas, Solar Farms and Wind Farms. The introduction of subcategories under a broad category of Extractive Industries would provide councils with the flexibility to separately tax these industries based on their respective impacts on the community and Council's infrastructure.

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

Response: The current rating system causes an equity issue when new mining land comes on-line. Under the Integrated Planning and Reporting framework Council has formed a contract with its community to deliver a range of services to a certain standard for an agreed price. The tax burden on the existing ratepayer base has been established. With the introduction of a mining industry, suddenly there are increased pressures on Council infrastructure.

To segregate existing ratepayers from the affects a mining industry can have on a local government area, it is Council's contention that mine rating should be separated from the conventional rating structure, and the limitations (rate-pegging in particular) this presents.

The Mining category (or an Extractive Industries category as referred to in our response to Question 5) should therefore be considered outside the permissible income calculation as the introduction of an extractive industry can significantly impact the consumption of public goods. This impact should be detached from the tax burden on existing ratepayers by allowing Councils flexibility to raise income to fund the additional demands on its infrastructure and services.

Council feels strongly enough about this issue to have earmarked it in its Fit for the Future Improvement Plan as an action for this Rating Review.

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?

Response: Special rates should be considered outside the permissible income calculation as they represent the funding of specific projects that provide a direct benefit to a distinct collection of ratepayers. The treatment of special rates in this way could do away with most Special Rate Variation (SRV) applications.

Again, under the Integrated Planning and Reporting framework, Council would consult with the affected ratepayers on the merits of a specific project and the anticipated cost of providing it. The special rate could be for a limited period, or indefinite, depending upon the ongoing costs associated with its service provision.

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

Response: Council has nothing to contribute to this issue.

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

Response: The onerous provisions around the Sale of Land for Overdue Rates could be simplified.

In regard to the assumption that councils pursuing relatively low claims it is worthy of note that in many instances claims of less than \$2,000 represent in excess of two (2) years rates. Councils

have a responsibility to their communities to ensure rates are paid in a timely manner to maintain a proper cash flow.

An ability to be able to request payment from the mortgagee once 12 months' rates are overdue is a system used in New Zealand that could be explored.

For Councils that operate Water and Sewerage systems, the use of Water Restrictors as a method to encourage the payment of all outstanding Council rates and charges would provide Councils with a different, less costly way (than through the Local Court system), to pursue outstanding debts.

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?

Response: Rate exemption should not apply to enterprises (including Government owned and/or controlled enterprises) that have a significant consumption of public goods, particularly if they are profit generating (eg. logging of state forests).

Any time that land is held under a private lease from the Crown, it should automatically become rateable (eg. mineral claims).

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?

Response: If Councils' response to Question 10 (above) were to be the only changes to rate exemptions, Local Government tax exemptions should therefore remain unchanged.

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

Response: Pensioner rate concessions should be fully funded by State Government.

Freezing existing rate paths for newly merged councils (Questions 13 to 23)

Narrabri Shire Council is not involved in the mergers currently being considered. Therefore Council will only offer the following comment.

The introduction of a freeze on existing rate paths for four years for newly merged Councils will increase the time it will take them to "bed down" the rating equalisation process that eventually needs to occur, which in turn causes undue delay in achieving the ultimate goal of the merger; to operate as one council.