

Narrandera Shire Council

Review of the Local Government Rating System

Response to Issues Paper – April 2016

Valuation Methods

The IPART paper recognises that the (ARV) and (CIV) methods both utilise the combined value of land and improvements; therefore the focus of the discussion within the paper is for the potential use of the (CIV) method or the retention of the (UV) method within NSW. From a Council rating perspective the key difference in the methods is the treatment of multiple unit properties such as strata title properties; by retaining the current (UV) method the unimproved value of the land is divided between the number of unit holders that occupy that particular parcel of land, whereas with the (CIV) method a market valuation for each individual unit would be supplied.

At present there is an inequity with the (UV) method where adjoining properties have the same value; irrespective if allotment A is occupied by a single dwelling with adjoining allotment B occupied by 4 strata units. In this scenario Allotment A is levied a rate on 100% of the unimproved land value with the strata owners on the adjoining Allotment B assessed at 25% of the unimproved land value. The 4 unit owners on Allotment B would collectively draw more council services but only contribute the same ordinary rate as the single occupier of Allotment A.

These inequities would not occur with the (CIV) method as each unit on Allotment B would be individually assessed for its market valuation.

Relating this scenario to Narrandera Shire Council, whilst there is currently a degree of inequity there is significantly less strata unit developments in this Shire when compared to a metropolitan or large regional Council area.

A distinct advantage of the (CIV) method is that property owners can better equate their property to the local property market; there is also the potential for Council to gain an indication of the wealth of the owner and the owner's ability to pay rates. A potential disadvantage could be that the (CIV) method may be viewed as a disincentive to invest in a property as by increasing the market value results in a greater ordinary rate levy burden.

Implementing the (CIV) method would come at a higher cost to Council as each property would have to be individually assessed for its market value rather than the current (UV) method which is determined in bulk by the Office of the Valuer-General.

For Narrandera Shire Council the cost of moving wholly to the (CIV) method across all properties would not be justified given the low number of strata titles. The preferred outcome is linked to the second issue addressed in the report – greater flexibility in the categorisation of land. For example if the categorisation criteria for residential land was amended to permit the creation of two sub-categories of say single occupancy and multiple occupancy then the (CIV) method could be applied to the multiple occupancy sub- category only.

A potential risk to Council is that reform will be focused on issues centred in the metropolitan and coastal councils where high land values, growth and density of development are driving inequities in the current system. Rural councils may not benefit or may unintentionally be disadvantaged by imposing a higher cost valuation methodology.

Categorisation of Land for Rating

The Local Government Act, 1993 currently provides for 4 rating categories to reflect the dominant use of the land being:-

- Residential
- Business
- Farmland
- Mining

Each category may have a different rate structure and Council is able to create sub-categories within each category having different rate structures. Residential categories or sub-categories are determined in relation to a “centre of population” and business rates according to a “centre of activity”.

Narrandera Shire has an Ordinary Residential category that applies across the Shire. Residential properties within the villages of Narrandera, Grong Grong & Barellan are sub-categorised by centre of population with each having its own rate structure reflective of the services provided in the village.

The notion of centre of population does cause inequities for properties that surround the villages of Barellan and Grong Grong that are not located within the boundaries captured by the sub categories; these properties currently fall within the ordinary residential rate category and are levied the same rate as those rateable properties located surrounding Narrandera but which do not have the same access to a wide range of Council services. It is assumed that the location of a property in these instances does influence the rateable valuation which acts to offset the inequity between properties close to Narrandera and those in isolated places, however it does not address properties either side of the village boundary being rated differently.

Amending categorisation rules around a single rates structure for a centre of population for residential or centre of activity for business could provide for a transition zone around each centre to minimise the impact around transition between subcategories.

Concessions, Exemptions & Rebates

Within Narrandera Shire there are several scenarios where current and potential PBI status property owners would be providing residential accommodation in competition with private providers who will carry the total cost of the ordinary rate.

Council would support a proposal to remove exemptions where a commercial activity is being carried out on the land providing the land owner with the capacity to pay rates.