

13 May 2016

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Submission: Review of Local Government Rating System April 2016

The Northern Rivers Regional Organisation of Councils represents the Lismore, Tweed, Kyogle, Richmond Valley, Ballina and Byron Local Government Areas. This submission reflects the broad views of the General Managers of NOROC councils.

NOROC is offering suggestions to improve the rating system in NSW with the aim of enabling councils to have increased flexibility to implement fair and equitable rating systems for their local government areas.

Following are responses to the questions in section 1.5 of *IPART's Review of the Local Government Rating System Issues Paper April 2016*.

1. Do you agree with our proposed tax principles?

Yes.

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 selection a valuation method, as occurs in other states, or should a valuation method continue to be mandated?

Most councils advocated that a choice of valuation methods would be desirable however, favour the capital improved valuation (CIV) method for determining rates based on equity. Councils are wary of possible administrative and cost implications to change from the current unimproved valuation (UV) method.

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 Tasmania and Victoria)?

Whilst most councils would prefer to use the Valuer General for valuation services, some believe the option to use a valuer of choice should also be made available.

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?

Councils support the introduction of more flexible (or less restrictive) options of levying base or fixed amounts. Some question the relevance of retaining the minimum rating structure. The ability to set floor and ceiling limits may assist councils that have a wide range of property land valuations for similar type properties in order to limit rating fluctuations.

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

Councils believe the ability to use categories and/or sub-categories based on land use or property type would enhance the ability to provide a fairer and more equitable rating structure.

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

Councils agree that rating may differ across local government areas however, each council should continue to be responsible in determining the most equitable rating structure for their own ratepayer base.

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?

Councils are supportive of the abolishment of rate pegging however, if it is retained, a simplified and streamlined system for special rate variations.

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

Generally councils would require additional income to encourage significant urban renewal initiatives. A more flexible rating structure would also assist councils that wish to use targeted rating to encourage urban renewal strategies. Some councils are concerned that a change to CIV rating may discourage investment by developers.

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

Whilst each council has its own debt recovery strategies and views on this matter, councils support any changes that result in a more efficient and cost effective debt recovery process. More flexibility in debt recovery legislation unique to local government should be considered, for example, sale of land for overdue rates.

10. Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed?

All member councils strongly support a comprehensive review of the current rating exemptions legislation. Councils generally feel that it is more equitable for most properties to contribute at some extent to the rate burden based on the "benefit" rating principle as all properties utilise council services. Some councils have suggested a rebate or partial rebate system to replace exemptions. Any legislative exemptions or rebates should be applied consistently across councils. The introduction of a new rating category and flexible sub-category may provide councils with the ability to set the level of rates payable for community organisations/properties as they wish.

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 ratepayer?

Councils agree that a review of cross subsidies between state and local government should be undertaken 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?

Councils believe the management of pensioner concessions should be removed from local government. If retained by local government it should be fully funded by the state government.

13. to 23. Freezing existing rate paths for newly merged councils. Establishing new, equitable rates over the 4-year freeze.

Councils have declined comment on these issues as they are not relevant to our region.

Yours faithfully



Ann Lewis
Executive Officer