

May 13th 2016

Review of Local Government Rating System
Independent Pricing & Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Sir/Madam,

RE: IPART Review of the Local Government Rating System (Issues Paper)

I refer to the recently published Issues Paper relating to the IPART Review of the Local Government Rating System.

NSROC is a partnerships organisation whose members are the seven Councils of Northern Sydney (Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, North Sydney, Ryde and Willoughby). The NSROC Board considered the IPART Discussion Paper at the most recent Board meeting.

This correspondence makes general comments in relation to the discussion paper, with each of the NSROC Councils likely to make their own, more detailed submissions on matters of relevance.

The following broad comments are made:

Timeframe for Consideration

The NSROC Board were somewhat concerned about the short timeframe provided for consideration of the discussion paper. It is noted that the discussion paper was published on April 13th, with the submissions deadline being May 13th. In many instances this fell outside of the meeting schedules of many Councils and therefore did not allow the matter to be considered without the need to call a special meeting. It also negated the opportunity for internal discussion within Councils to explore appropriate responses and make considered recommendations.

In the context of organisations such as NSROC, there was insufficient time for a regional position to be developed amongst partner Councils. It would be usual NSROC practice to consider these matters with a regional view, distilling key messages as part of a regional submission. We see this as being to the benefit of organisations such as IPART, with the ROC's often capable of hosting discourse amongst the individual Councils to 'flesh out' those matters which are key.

It may be appropriate for IPART to consider an extended timeframe for submissions or undertaking another round of consultation as part of this initial 'issues paper' component.

Equity

NSROC Councils agree that the rating system needs to be equitable. Areas of concern relate to the current system failing to take into account the growing number of asset rich and cash poor individuals, including self-funded pensioners and retirees. In addition, metropolitan areas with a high percentage of units place an inequitable burden on residential homes. These issues are likely to become exacerbated given demographic changes (ageing population) as well as the

increasing prevalence of medium/high density residential units across various urban settings within NSW. Consideration should be made to address these issues, perhaps through reconsideration of the base charge cap.

Rate Pegging

There is broad agreement that rate pegging is a 'one size fits all' approach and is therefore not consistent with the principles of efficiency, flexibility nor sustainability. Rate pegging does not reflect individual Council requirements and the process of seeking special rate variations does not provide Councils with an efficient mechanism to respond to/react to local requirements. There is a general consensus amongst NSROC Councils that each Council remains accountable to its residents and should therefore be capable of determining its own rating charges.

Use of Capital Improved Value vs Unimproved Land Value

Whilst there is general agreement that Capital Improved Value (CIV) would potentially be a more equitable measure for the purposes of rating, the cost implication for setting up and maintaining such a system seem to be prohibitive. For this reason, the maintenance of an Unimproved Land Value (ULV) system, utilising the Valuer-General, appears to work and is cost effective. However, please note previous comments regarding the divergent rating charges for units/residential apartments vs dwelling houses, some consideration of how to bring equity into the rating system is needed in this respect and a review of determining valuations may be one way of achieving this.

Rates Exemptions

There is general consensus that, in order to achieve competitive neutrality, rate exemptions should cease for land uses that compete with the private sector. Examples include universities and schools that may incorporate some commercial activity within their grounds.

Pensioner Concession Scheme

It is recommended that the pensioner rebate should be 100% funded by the State Government, which is consistent with every other state in Australia.

Rate Trajectory Freeze (in the Event of Council Amalgamation)

There is broad agreement that provisions will need to allow for rate harmonisation in the event of Council amalgamations. A complete rating trajectory 'freeze' is likely to see amalgamated Councils maintaining multiple rating systems with divergent trajectories – creating a future difficulty in bringing the rating systems together without ratepayers experiencing excessive rate variations across various rating categories, especially residential ratepayers. Processes will need to be brought into place to allow harmonisation over time, otherwise there is a very real risk of significant rate increases/falls for particular residents at some future point (as consolidated Councils bring divergent rating systems together).

If you require any further information in relation to these matters please do not hesitate to contact me.

As previously mentioned, many of the NSROC Councils are likely to make their own submission to the consultation, raising more detailed matters of particular importance.

Yours sincerely



Andrew Roach
Executive Director