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12th May 2016

Independent Pricing and Regulatory Tribunal (IPART),
PO Box K35
Haymarket Post Shop
NSW 1240

Dear Sir/Madam,

IPART Review of the Local Government Rating System,

The Riverina and Murray Regional Organisation of Councils (RAMROC) represents the interests of eighteen (18) Councils and communities across south west New South Wales.

A copy of RAMROC location and Member Councils map is attached for your information.

Also attached is a general regional response from the RAMROC Member Councils, in accordance with discussions held at the RAMROC meeting on Wednesday 11th May 2016.

Yours faithfully,



Ray Stubbs
Executive Officer

Taxation Principles

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

Response:
Generally yes

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:
RAMROC Councils support the principle that each Council should have the authority to choose a valuation method that best suits its community fabric and characteristics. There is some concern that the valuation service cost of a Capital Improved Valuation (CIV) may be more expensive compared to the current Land Value method. However, on the other hand a CIV would better reflect a capacity of the landowner to pay.
CIV may have one other downside, in that it may possibly affect an owner's development intentions if higher rates are going to be incurred, i.e. a disincentive to best possible development.

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:
RAMROC Councils believe that Councils should have the option to use the most cost effective and professional valuation services available. Councils should not be bound to only the Valuer General

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:
No changes are considered necessary

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

Response:
The existing categories (residential, business, mining and farmland) are generally sufficient. However Councils should have a discretion to determine additional categories having regard to specific local circumstances.

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

Response:

RAMROC makes no regional comment on this, which may more appropriately be answered by individual Councils

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:

Rate pegging is totally unnecessary and a hindrance to effective and efficient Local Government. Councils should have the freedom to raise their rate revenue and other income sources, without interference by the State Government and in doing so Councils will be fully responsible and accountable to their communities through the IP&R processes.

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

Response:

No regional comment.

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

Response:

No regional comment, except that Councils should have the ability to recover all costs associated with rate recovery and/or the sale of land for overdue rates

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:

The current provisions lend themselves to inequity with some landowners receiving exemptions which give them an unfair advantage over other ratepayers.

Exemptions under the Local Government Act should be based on the use of the land, not on the ownership of the land. The existing legislation is open for interpretation and potential conflict and expensive legal proceedings.

11. To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of exemptions for certain categories of ratepayers?

Response:

Councils should receive the same tax concessions from state taxes as the Federal and State Government concessions

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 the State Government, in line with other States, because social welfare should not be the responsibility of Local Government.

Councils are well placed to administer pensioner rate concessions on behalf of the State Government on a fee for service basis, with the amount of concessions and administration costs fully reimbursed to Councils.

Freezing existing rate paths for newly merged councils

13. We have interpreted the rate path freeze policy to mean that in four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?

Response:

RAMROC agrees with the interpretation, but is totally opposed to the concept of any rate freeze or control by the State Government.

The key focus of Fit for the Future is supposedly to strengthen the system of local government in NSW. However, as with the 40 year tradition of rate pegging which has crippled the sustainability and service delivery capacity of Councils for such a long time, it is clear that the Government still wants to interfere with the autonomy of Councils, principally for its own political interests and benefit.

14. Within the rate path freeze period, should merged councils be permitted to apply for new special variations:

- For Crown Land added to the rating base?
- To recover amounts that are 'above the cap' on development contributions set under the *Environmental Planning and Assessment Act 1979*?
- To fund new infrastructure projects by levying a special rate?

Response:

As above in 13

15. Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?

Response

As above in 13

16. During the rate path freeze period, should merged councils only be able to increase base amount and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?

Response:
As above in 13

17. During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:

- Relative changes in the total land value of a rating category against other categories within the pre-merger council area, or
- The rate peg (adjusted for any permitted special variations)?

Response:
As above in 13

18. Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?

Response:
As above in 13.
However, if the State Government is determined to continue this long standing rate pegging / rate freeze and absolute control over Local Government financing, at least give Councils the maximum possible discretion.

19. What other discretions should merged councils be given in setting rates during the rate freeze period?

Response:
As above in 13

20. We considered several options for implementing the rate freeze policy. Our preferred option is providing the Minister for Local Government with a new instrument-making power. What are your views on this option and any other option to implement the rate path freeze policy?

Response:
The State Government should remove the rate freeze policy and provide local government with the autonomy that it deserves.
The policy is patently designed to support the Government's public rhetoric that mergers will achieve rate savings for ratepayers

Establishing new, equitable rates after the 4-year freeze

21. Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate **within a centre of population** be changed or removed?

Response:

LG Act should provide maximum autonomy to the merged Councils to achieve fairness and equity

22. Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?

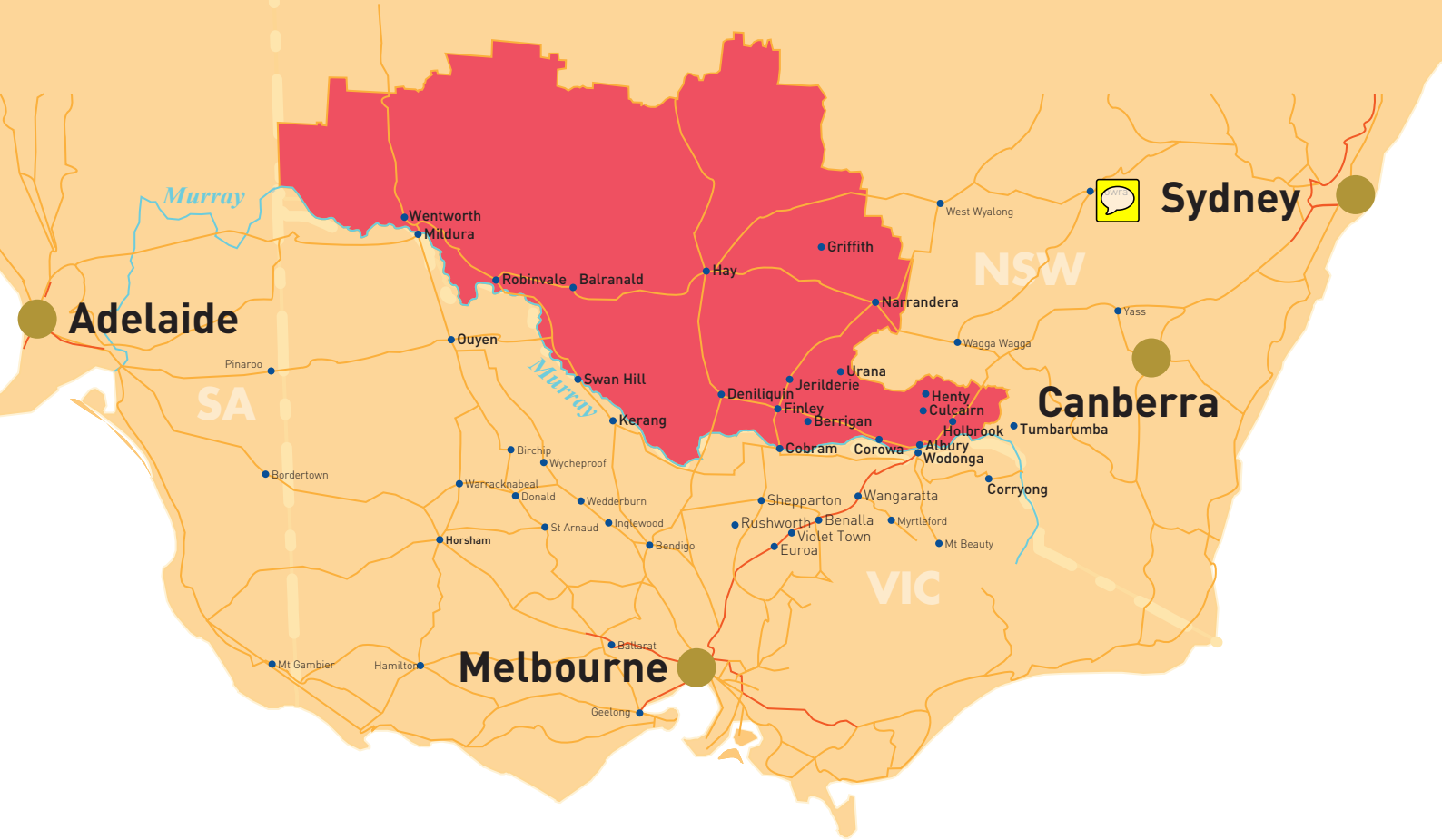
Response:

Yes

23. What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?

Response:

Ongoing adverse impacts on the financial capacity of Councils to provide the levels of service sought by their communities – rate pegging/control/freeze all threaten the whole fabric of Local Government to meet community expectations of Council functions and service delivery



RAMROC Councils, NSW

Total Area 126,595 sq km - Total Population 165,474

