

13 May 2016

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Review of the Local Government Rating System
Independent Pricing and Regulatory Tribunal
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Online submission to:

http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission

Dear Sir/Madam

**Submission – Review of the Local Government Rating System –
Issues Paper – April 2016**

Tweed Shire Council (Council) welcomes the opportunity to make a submission to the Review of the Local Government Rating System.

Council would like to make the following comments in relation to the proposals put forward in the issues paper:-

Taxation principles

1. Do you agree with our proposed tax principles? If not, why? Page 15

Comment: Agreed

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? Page 20

Comment: It is considered that the Capital Improved Value (CIV) better meets the benefits principle, is a more equitable means of applying the rate burden and would be much more in line with existing market values of properties. Councils should be allowed to choose between using an Unimproved Land Value (UV) or a CIV method for calculating rates as occurs in Victoria, South Australia and Tasmania, although it is acknowledged any movement to CIV would come at an increased cost.

A move to the CIV method may also be counter-productive by discouraging investment in sustainable and environmentally friendly building products or innovative designs as these appear a more costly building option. This may in turn lead to underdevelopment and properties that are not aesthetically pleasing.

Whilst Council maintains this should be a decision for individual councils it is most likely to be of benefit for multi-unit developments. As a result a new MUD residential rating category may be more appropriate.

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)? Page 20

Comment: Councils should have the option to use a private valuation firm if they so choose. A private valuation firm may be considered to be more accurate and/or more cost effective, thus providing a better rating system for ratepayers and reduce the monopoly arrangement that the VG currently enjoys.

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? Page 22

Comment: The requirements to have base rates no more than 50% of the total revenue and ceilings on minimum amounts should be removed for Special Rates. i.e. a flat rate for each and every resident should be able to be applied for Special Rates where it is considered each resident benefits equally.

5. What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide? Page 23

Comment: The number of land use categories should be increased to allow splitting the residential category into detached housing and apartment property categories to provide for more efficient and equitable ratings of multi-unit dwellings (as suggested by the Panel).

Consideration should also be given to allowing sub categorisation without having to rely on centre of activity or population. A Council should be able to sub categorise a business property use across the whole shire rather than have different categories as is the current case.

The Mining category should be expanded to allow for other types of mining outside of metalliferous and coal (e.g. sand mining)

6. Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities? Page 24

Comment: Yes. Whilst the use of a minimum or base rate is accepted across communities, consideration should also be given to a maximum rate. Due to large fluctuation in land valuations in the Tweed Shire local government area, some ratepayers can be levied up to \$16,000 pa for rates when the minimum rate is around \$990 pa. Perhaps a cap on maximum rates payable as a derivative of the minimum rate (ie. 5 times the minimum rate) would promote a more equitable rating system.

In addition, National Parks and State Forests are provided by the State for the benefit of all of the State. These areas are exempt from rates and the Local Government Areas in which these Parks and Forests are located have a reduced rating 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? Page 25

Comment: Council is of the opinion that rate pegging should be abolished. It is an outdated restriction which implies (incorrectly) that local government does not take into consideration the capacity of its residents to pay rate increases. Should rate-pegging remain, then the system of applying for above pegging increases (special variations) needs to be better streamlined. One way in which this can/should occur is to have separate processes/requirements for ordinary and special rates, particularly where the special rates do not impact upon all ratepayers – i.e. Only on a subdivision.

8. What changes could be made to the rating system to better encourage urban renewal? Page 26

Comment: Planning Section comment?

9. What changes could be made to the rating system to improve councils' management of overdue rates? Page 26

Comment: Consideration should be given to an option (similar to that which exists in New Zealand) which allows for the ability for Council to request payment from the mortgagee once rates are 12 months overdue. Following is an extract from the New Zealand legislation:

62 Recovery of rates if owner in default

- (1) If an owner defaults in paying the rates, the local authority may:*
 - (a) notify persons with an interest in the rating unit for which the rates are payable (including an interest as first mortgagee) of:*
 - (i) the fact of the default; and*
 - (ii) the provisions of this section; and*
 - (b) accept payment of the rates from the persons referred to in paragraph (a); or*
 - (c) recover, as a debt from the first mortgagee of a rating unit, the rates payable in respect of the rating unit that remain unpaid on a date that is:*
 - (i) not less than 3 months after notice has been given to that person under paragraph (a); and*
 - (ii) not earlier than 1 November in the financial year following the year in which the rates were first assessed.*
- (iii) A person (other than a mortgagee) who pays the unpaid rates under subsection (1) may:*
 - (a) recover that amount from the owner as a debt; or*
 - (b) retain that amount from any money that that person pays to the owner in respect of a debt other than that relating to unpaid rates.*

- (2) *If a mortgagee pays the unpaid rates under subsection (1), the amount paid must be treated as part of the money secured by the mortgage until it is repaid to the mortgagee, and the provisions of the mortgage apply to that amount.*

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? Page 33**

Comment: Where another level of government (or other exempt body) is carrying out a commercial activity (e.g. State Forests) then they should not be eligible for rating exemptions. This is consistent with other exemptions currently provided e.g. Aboriginal Land Councils. Council would also support replacing exemptions with rebates, as outlined, as this would promote transparency as to the level of support being offered to the currently exempted groups.

The introduction of a 'community' rating category could also be considered where minimum rates are levied on organisations (churches etc) that provide public benefits to the community.

- 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? Page 33**

Comment: The approach suggested at 10 above is consistent with councils' current exemptions from state taxes (such as payroll tax). i.e. commercial activities are not exempt.

- 12. What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved? Page 35**

Comment: The NSW Independent Local Government Review-October 2013 Final Report contains the following text:

"Some concessions for disadvantaged ratepayers are justified, but social welfare should not be a local government responsibility; arrangements for pensioner concessions should be reviewed"

This implies that the NSW State Government should take on the full responsibility for pension concessions on rates (as occurs in other states). Council is supportive of this position.

Should it be considered that local government has a role to play in providing pension concessions, then the following comment is provided:

The pension concession amount has remained unchanged for many years. The concession amount should increase so that the NSW State Government's share of the rebate is similar to that of other state governments, i.e.

Current Concession

	Amount	Percentage
State	\$138	55%
Local Government	\$112	45%
Total	\$250	100%

Proposed Concession

	Amount	Percentage
State	\$200	64%
Local Government	\$112	36%
Total	\$312	100%

Freezing existing rate paths for newly merged councils

- 13. We have interpreted the rate path freeze policy to mean that in the 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? Page 36**

Comment: Over time the rating arrangements of merged Councils will need to align for consistency under the new entity. Whilst in the interim the rate-peg should apply to these Councils if any implementation of a special rate widens the gap in structure and amounts between Councils further consideration will be needed. This will be a case by case basis.

Council makes no comment in relation to questions 14 to 23 as these are related to councils proposed to be merged.

Council appreciates the opportunity provided by IPART to make a submission on the Review of the Local Government Rating System – Issues Paper – April 2016 and is confident that the issues raised by the industry through the submission process will be given appropriate consideration.

Yours faithfully

Troy Green
GENERAL MANAGER