



SUBMISSION TO IPART –

REVIEW OF LOCAL GOVERNMENT RATING SYSTEM

Submission by Upper Lachlan Shire Council – 12 May 2016

Independent Pricing and Regulatory Tribunal (IPART) “Review of the Local Government Rating System – Issues Paper” released April 2016.

Upper Lachlan Shire Council thanks the Independent Pricing and Regulatory Tribunal of NSW (IPART) for this opportunity to have input into the Review of the Local Government Rating System.

Council acknowledges the terms of reference IPART is required to take into consideration in undertaking this review.

Council responses to the list of identified issues (in sequential order) are as follows:-

1. Council agree with the IPART proposed taxation principles; including efficiency, equity, simplicity and sustainability. However, the principle of competitive neutrality is a moot point as local government rates are not competitively neutral because they do not compete with private enterprise.
2. It is acknowledged there are arguments both for and against the use of various valuation methods identified in the Issues Paper. Council believes the existing unimproved land value (UV) method should be retained. As stated in the Issues Paper it is simpler and more cost effective to implement than capital improved land value method (CV). Also, the UV existing method better meets the efficiency taxation principle that taxes should minimise changes in behaviour and do not influence ratepayers' decisions to make property capital improvements.

An alternative that may be suitable is allowing all NSW councils to choose between the UV method or CV method for utilisation of land valuations.

3. Council believes there should be competition in the valuation services market and do not agree with the current practice that require councils to use the NSW Valuer General's valuation services exclusively. Councils should have the ability to utilise private valuation firm's services dependent upon cost benefits of this approach.

4. Council does not believe a change to the Local Government Act is necessary with regard to this issue and the option should remain for a council to levy a base amount and/or minimum amount.
5. Adding the flexibility to further define subcategories of land use for setting rates is preferable. Councils should have the ability to subcategorise land without having to rely on centre of population/activity. As an example the existing residential and business rate categories should allow further differentiation for the variety of types of housing, multi unit dwelling and variety of business industries.
6. It is not evident that the current rating system causes any equity and efficiency issues associated with the rating burden across communities.
7. From the outset Council strongly believes that the rate-pegging system imposed by the NSW Government should be abolished. Rate-pegging diminishes the financial viability of local government and is an obstacle to infrastructure investment. In most states rate-pegging is not imposed and there is much greater autonomy in governance by councils.

In light of the unlikely abolishment of rate pegging, it is agreed that councils who demonstrate high performance through sound financial management, efficiency and infrastructure management should earn exemption from rate pegging or gain access to a streamlined special rate variation price path.

8. Council makes no comment on the policy of encouraging urban renewal.
9. There are provisions contained in the Local Government Act that satisfactorily address financial hardship and allow councils discretion and flexible payment arrangements for management of overdue rates.

An amendment to the accumulation of five years overdue rates prior to councils having the option to sell the land for unpaid rates. Perhaps amend the term from five years to three years unpaid rates. No other changes to the rating system are required in relation to the management of overdue rates.

Amendments are necessary to the electronic Notice of Sale form to allow the capture of e-mail addresses and phone numbers as this could assist in debt recovery management. Also the ability for Council's to issue rates notices in an electronic format should be implemented.

10. The land uses currently exempt from paying council rates is totally inappropriate. A number of taxation principles including; efficiency, equity and sustainability are not being achieved under the current land use exemptions.

Council considers that there should be no exemption to a rates levy to any parcel of land within New South Wales, in particular the exemptions presently mandated in legislation for Universities, land used for religious purposes,

NSW Government owned land, including all crown land, National Parks and reserves.

The exemptions from rates should be removed immediately. All occupied parcels of land should be rateable regardless of ownership as all these properties utilise council services and in some cases they are a larger drain on a council resources than rateable properties. These exemptions amount to cost shifting to local government.

11. Payroll Tax exemption for local government should remain. A review of exemptions from certain state taxes should only be considered in the broader context of the entire taxation review at the Federal Government level and should not be considered in isolation as part of this Issues Paper.
12. The objective of a pensioner concession is a social welfare issue and provides relief to the aged, disability, low income/asset poor landowners.

Mandatory pension concessions should remain for council rates and charges. The real issue for local government is that, as is the case in all other states, the pensioner concession scheme should be fully funded by the NSW Government. The NSW Independent Local Government Review – October 2013 questioned welfare measures as being the responsibility of local councils.

Council does not support the rate deferral scheme as implemented in South Australia and does not support introducing an asset test that limits eligibility to a concession.

13. Issues 13 to 23; Council makes no comment on the NSW Government proposal of freezing existing rate paths for newly merged councils. Upper Lachlan Shire Council is deemed Fit for the Future and these issues will not directly impact our council.

The Upper Lachlan Shire Council holds the abovementioned views. In that regard Council appreciates the opportunity to address the "IPART - Review of the Local Government Rating System" and supports the intent of the review report. Council trusts that the issues raised will be considered further by IPART in their deliberations in relation to the review.



John Bell
General Manager
Upper Lachlan Shire Council