

13 May 2016

Independent Pricing and Regulatory Tribunal of New South Wales  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Sir/Madam

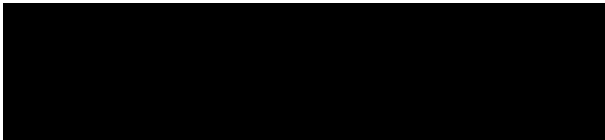
**SUBMISSION TO THE REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM**

Please find attached Wagga Wagga City Council's submission to the Review of the Local Government Rating System.

This submission has been prepared by professional staff within Council with input from the elected body.

Please contact Craig Richardson [REDACTED] if you have any further enquiries in relation to this submission.

Yours faithfully



Craig Richardson  
Director Corporate Services

## Taxation Principles

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

Response:

The key principles identified in the review (efficiency, equity, simplicity, sustainability and competitive neutrality) are the universally recognised principles of taxation and Council has no argument with them.

## 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:

The current Unimproved Capital Value methodology should be retained as it is the most simple and arguably fairest method of raising rates. The valuation of land is a reasonable indicator of Ability to Pay and is the most simple of all valuation methods to administer. Council receives very few complaints on the existing method of setting rates.

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:

Councils should be given the option of using private valuation firms or remaining with the Valuer General, although the current system provided by the VG is working well and ensures a consistent approach across the State.

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:

There is adequate flexibility in the Local Government Act in setting rating structures utilising base and minimum amounts. This flexibility should be retained.

The restriction that revenue generated from the base amount cannot exceed 50% of the total revenue from any particular rating category should also be retained. This ensures that rates are determined predominantly according to the value of rateable property.

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

Response:

The Current 4 categories are sufficient. Councils already have the ability to create sub categories within each of the 4 existing categories eg Residential - Rural.

#### OTHER CONSIDERATIONS

\*Mixed Development rating methodology needs simplifying. i.e. purely on Valuation of each usage – ( area based).

\*Postponed Rates need to be removed and a simpler system similar to developer allowances put in place – i.e. an allowance is given for a Residential property in a Business Zone.

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

Response:

As mentioned in previous question – Strata/Community title properties.

The granting of rating exemptions to the business activities of charitable organisations eg Private Hospitals creates equity issues for the community. This is further explained in later responses.

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:

In seeking input on this question from the elected body, Councillors have provided responses ranging from “rate pegging must remain” and “rate pegging should remain as it forces Councils to live within their means” to “I don’t support rate pegging”.

Council is concerned that IPART have taken a ‘one size fits all’ approach to rate pegging which fails to consider the varying circumstances facing each Council. If rate pegging remains in place Council would like to see a level of flexibility and discretion afforded to Councils to increase rates by up to an additional 3% above the rate pegging limit to achieve community outcomes defined in the I,P&R suite of documents without the requirement to apply for a special variation.

There are additional cost pressures facing Council’s which are not currently considered by IPART in determining the Local Government Cost Index. Examples include addressing infrastructure backlogs and increases in depreciation expense.

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

Response:

The current rating system is not considered to be an inhibitor to urban renewal.

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

Response:

The sale of land for unpaid rates provisions in the Act should be reviewed with a view to potentially reducing the current period of five years before a property can be sold for unpaid rates.

This would result in a significant improvement in rating arrears. At present the legal options for pursuing outstanding rates can be exhausted after 1-2 years with sale of the property being the only remaining available option. In this circumstance the rates are left to accumulate until the property can be sold which may be several years later.

Councils already offer many flexible forms of payment arrangements for ratepayers experiencing genuine financial hardship.

## 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 exemptions provided under Section 555 of the Local Government Act are not appropriate in all instances. The area of specific focus must be the business activities of charities and religious organisations which currently enjoy an exempt status on rates. Examples include private hospitals, retirement and nursing homes.

Community Housing Organisations (providers of low cost housing) can and will have a large impact on Councils rating base when they are granted Non rateable status under the guise of Not for Profit/Charity/PBI status.

It is not appropriate that ratepayers in the Local Government area pay for the exemptions provided in the examples above. The business activities of charities and residents of community housing create demand for services and they may also compete with private sector providers (day surgeries, retirement homes etc) who do not benefit from any such exemption. The customer base for the businesses operated by charities in many cases extends beyond the boundaries of the Local Government area.

The exemptions granted do not align with the tax principles of equity, simplicity, sustainability or competitive neutrality.

The current provisions contained in Section 55 of the Act should be more narrowly defined to specifically exclude any business or commercial activities of charitable or religious organisations including private hospitals retirement or nursing homes from exemption. The Act should also be amended to provide flexibility for Council's to provide a partial rating rebate for Community Housing Organisations if they see fit.

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:

Council supports the principle that the three levels of government should not tax each other.

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

Response:

The current level of rebates available has not changed since 1993. Rebates should still be made available under the current methodology but reviewed every 3 years and adjusted to CPI average for those 3 years.

The rebates should be fully funded by the NSW Government consistent with the arrangements for other States.

The example provided in the Issues Paper for South Australia (Postponement of Rates Scheme) does not align with the principles of Simplicity or Sustainability.

### **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:

Council agrees with this interpretation but this view has not been expressed in the media statements made by the NSW Government.

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:

Yes.

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:

Bearing in mind the detailed and comprehensive process required to justify a special variation, there should not be any restrictions placed on merged Councils to make an application.

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:

Merged Councils need to review their rating structures and consult with the community on any proposed significant changes. It would make sense that any significant change to minimum rates or base amounts be placed on hold during a rate freeze period.

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:

Please see answer above in Q16.

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:

Yes

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

Response:  
No further comment.

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:  
There needs to be consistency on this issue across the State. The Preferred Option outlined by IPART is supported.

### **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:  
It is reasonable that merged Councils be allowed under the LG Act to gradually equalise rates over a number of years. This should also allow flexibility during the transition period for differences in the same residential rate within a centre of population.

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:  
No further comment.