

12 May 2016

Dr Peter J. Boxall AO
Chairman
Local Government Regulatory Burdens Review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Dr Boxall

RE: Review of the Local Government Rating System – Issues Paper

Wingecarribee Shire Council ('Council') appreciates the opportunity to provide comment on the 'Review of the Local Government Rating System – Issues Paper'.

Attached is Council's response to the 12 issues which relate to the review of the current rating system and recommended changes to improve its efficiency, equity and sustainability. In general, Council supports the areas of review which have been identified in the Issues Paper.

In particular, Council strongly supports the following changes to the pensioner concession scheme:

- Council supports the retention of the current pensioner concession scheme;
- Council strongly recommends that IPART consider increasing the \$250 per annum concession to a minimum of \$700 per annum provided to pensioners, which has not changed since 1989;
- In addition to increasing the current level of concession, WSC strongly believes that the concession scheme should be fully funded by the State Government, as is the case in other states;
- The scheme should also be indexed annually.

Wingecarribee Shire Council Ordinary Meeting - 11 May 2016: Council Minute 214/16

On behalf of Wingecarribee Shire Council, we present to you this submission and thank you for the ongoing opportunity to provide input and feedback. We welcome continued involvement in future discussions.

Yours sincerely



Ann Prendergast
GENERAL MANAGER

Review of the Local Government Rating System - Issues Paper

Taxation Principles

Issue	RESPONSE
<p>1. Do you agree with the IPART’s proposed tax principles? If not, why?</p>	<p>Wingecarribee Shire Council (WSC) agrees in part to the proposed tax principles included in the issues paper. The principle of competitive neutrality is not a significant consideration in the context of rating. Where councils participate in a competitive market, income is derived from user charges (fee for service), not rate income.</p> <p>WSC supports the inclusion of the sustainability principle as the <i>establishment of rating policies which ensure fiscal sustainability</i> has been identified as a proposed amendment to the Local Government Act by the Office of Local Government (Phase 1 amendments) released in January 2016.</p>

Assessing the current method for setting rates

Issue	RESPONSE
<p>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?</p>	<p>WSC supports the view that alternative valuation methods should be considered. The use of an alternative valuation method such as the Capital Improved Value (CIV) method would be easily understood by ratepayers and would also overcome the rating inequities in LGA’s which have a high proportion of multi-unit dwellings.</p> <p>The implementation cost (and ongoing cost) of any proposed changes to the valuation method should be investigated prior to any decision to move away from the current unimproved land value valuation method.</p> <p>WSC also support the view that there should be one consistent method applied across the state to reduce the complexity of the valuation system.</p>

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Issue	RESPONSE
<p>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)?</p>	<p>WSC considers that a decision regarding the future land valuation method should be made prior to any decision to move away from the Valuer General’s valuation services.</p>
<p>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?</p>	<p>WSC supports the view that councils should have the autonomy to levy rates on either a base amount or minimum amount. This should be ultimately determined by councils when developing a comprehensive rating policy as proposed under the draft amendments of the Local Government Act which state that councils’ <i>provide a clear rationale for how rating systems are structured and what they are designed to achieve.</i></p> <p>WSC also supports the removal of the legislated ceiling on the minimum amount, and that the base amount restriction of 50% of total revenue from a rating category should be removed.</p> <p>The calculation of the base amount using other factors such as per capita, per bedroom or criteria would add complexity to the existing rating system and as such is not supported.</p>
<p>5. What changes could be made to rating categories? should further rating categories or subcategories be introduced? What benefits would this provide?</p>	<p>WSC supports the view that rating categories should be reviewed. Additional categories which could be considered include; undevelopable land, environmentally restricted land and further classification of residential land into detached and multi-unit categories.</p> <p>WSC also supports the review of the definition of land classified as mining to ensure the definition captures all mining activities, and eliminates any potential for such land to be categorised as business.</p> <p>WSC supports the view that rating sub categories should be at the discretion of councils, providing they are permitted under legislation.</p>

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Issue	RESPONSE
<p>6. Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?</p>	<p>WSC supports IPART’s view that rating income should only be used to fund the provision of infrastructure and services within that particular local government area.</p> <p>WSC also agrees that tax redistribution is not a function of local government and should be addressed through mechanisms such as the Financial Assistance Grant allocations.</p>
<p>7. What changes could be made to the current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?</p>	<p>WSC agrees that the current rate pegging arrangements and special variation application process should be reviewed.</p> <p>WSC supports the views of the Independent Local Government Review Panel that the current rate pegging arrangements have an adverse impact on the financial sustainability of councils.</p> <p>WSC supports a review of the current rate pegging arrangements and special variation process, which at a minimum should consider the following:</p> <ul style="list-style-type: none"> • The removal of rate pegging, in line with the majority of states across Australia, • The autonomy for councils to increase rate revenues based on its Integrated Planning & Reporting process, regular service reviews and the introduction of financially sustainable revenue strategies and/or policies, • An independent review process for councils who propose an increase above a set threshold, which could be conducted by a body such as IPART, the NSW Auditor General or a Council’s external auditor.

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Issue	RESPONSE
<p>8. What changes could be made to the rating system to better encourage urban renewal?</p>	<p>WSC supports the view that a “whole of government” approach should be taken to funding infrastructure projects which promote urban renewal.</p> <p>WSC believes that developer contributions plans and voluntary planning agreements should remain the primary tool for funding infrastructure directly attributed to urban development.</p> <p>Where infrastructure is provided as a result of urban renewal/ development which is of a broader benefit to the whole community, WSC supports the view that the levying of special rates is an appropriate mechanism of funding.</p>
<p>9. What changes could be made to the rating system to improve councils’ management of overdue rates?</p>	<p>WSC supports the view that councils should retain the autonomy to set policy regarding the management of overdue rates (as is currently the case).</p> <p>Councils have established Debt Recovery and Financial Hardship Policies and procedures in place (including payments arrangements) which acknowledge that some ratepayers may experience difficulties in paying their rates, and take into consideration broader issues such as the demographics of the area.</p>

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Assessing exemptions, concessions and rebates

Issue	RESPONSE
<p>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?</p>	<p>WSC agrees that the current exemption categories under the Local Government Act should be reviewed.</p> <p>WSC supports an approach to rate exemptions which is based on the purpose (dominant use) of the land, rather than ownership. If the property is used for residential or commercial purposes, then it should be levied accordingly.</p> <p>WSC also believes that the majority of exemptions currently included under legislation should be replaced with a rebate scheme. WSC supports the view that councils should have the autonomy to provide rebates which take into consideration the councils' financial capacity and willingness to fund such a scheme and the broader community benefit.</p> <p>WSC also believes that IPART's review should be broadened to include concessions such as postponed rates, conservation agreements and other allowances permitted under the Local Government Act.</p>
<p>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?</p>	<p>WSC does not support a broadening of the review of the Local Government Rating System to include the exemptions councils receive from other tiers of Government.</p> <p>If IPART were to broaden its review to include these exemptions, then it should also consider including the impact of cost shifting from other levels of government on councils.</p>

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Issue	RESPONSE
<p>12. What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?</p>	<p>WSC supports the retention of the current pensioner concession scheme. WSC strongly recommends that IPART consider increasing the \$250 per annum concession to a minimum of \$700 per annum provided to pensioners, which has not changed since 1989.</p> <p>In addition to increasing the current level of concession, WSC strongly believes that the concession scheme should be fully funded by the State Government, as is the case in other states. The scheme should also be indexed annually.</p> <p>WSC does not support the introduction of a rate deferral scheme. This would have a significant impact on councils with a high proportion of pensioners. WSC supports the view that councils should have the autonomy to implement policy which assists pensioners with the payment of rates and charges.</p>

Freezing existing rate paths for newly merged councils

Council has not provided comments to questions 13 to 23 as it will not be impacted by the Government's Policy of freezing existing rate paths for newly merged councils.