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IPART

Review of the Local Government Rating System

The Government is commended for conducting a review of the local Government rating system. Western Sydney has a set of unique set of challenges that it must address if it is to deliver on the economic and social aspirations of its residents, the economic and employment goals set by the Federal and State Governments, and improving the health and well-being of its diverse communities.

Western Sydney contains large areas of greenfield sites, poorly serviced by transport, roads, community facilities and utilities. These same sites have been identified as spearheading growth for the next 20 years and as ever increasing urbanised areas develop as part of the urban "sprawl" the cost of service delivery will not only increase from increased scale but also because of more dispersed communities.

Local Government working in partnership with the State and Federal Governments has a substantial and well-defined role for delivering economic and social outcomes. Most critical of all is that Local Government have the means and financial capacity to deliver services and invest in critical community infrastructure while ensuring a sustainable revenue stream to maintain its assets.

In Western Sydney it is of particular concern that Local Government's limited capacity to adequately invest in and maintain public infrastructure such as footpaths, cycleways, community facilities, sporting facilities, recreational spaces and the like has seen a diabetes and obesity epidemic that is quite confronting to community leaders and health professionals alike.

The Review must complement the sustainability theme of Fit for the Future, in general WSROC strongly recommends that any reforms must;

- facilitate improvements to individual Council's financial sustainability and resilience,
- make Councils solely accountable to its ratepayers for approval or otherwise of its rates setting and budgets, not a third party,
- accommodate, on the simple premise of fairness and equity, a rating category for multi-unit apartment buildings,
- rates levied against a specific property must be charged on the actual availability, and access/use of services, and its actual impost to the Council.

More detailed responses are listed at Annex A.

Yours faithfully,



Charles Casuscelli RFD
Chief Executive

Submission to IPART – Review of the Local Government Rating System

Taxation principles

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

WSROC agrees with the key tax principles being Efficiency, Equity, Simplicity, Sustainability and Competitive Neutrality.

*We acknowledge rates income is a reliable revenue stream but is **not sustainable** because of rate-pegging and the complex process involved in seeking additional revenue through a Special Rate Variation.*

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?

WSROC supports a new "rates" category for multi-unit apartments. This category would be based on an Improved Capital Valuation method.

All other Categories would continue to be rated on the Unimproved Land Value (UV).

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)?

In the interest of consistency of application, transparency and efficiency WSROC supports the continued use the Valuer General's property valuation services.

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?

No comment.

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

A new Category for Vacant Land is recommended to reflect the lower impost this type of land has on council resources.

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

WSROC is concerned that some councils including two that are being amalgamated (Holroyd and Auburn) into one have an LGA with a limited economic resource base, i.e. ratio of business properties relative residential properties.

Other features of the LGA such as flood prone land, bush fire zones, and natural reserves also limit a Council's ability to achieve adequate revenue without placing an increased burden on ratepayers.

These factors are not reasonably reflected in land valuations.

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?

WSROC believes that rate-pegging should be removed. Rate-pegging is an artificial political intervention contrary to sound market policies and economic principles.

Councils must be responsible for determining their own level of rates income in consultation with its community. Councils are able to make informed decisions about both the short and long term needs of their communities framed within the context of their collective ratepayers' capacity to pay.

Once rate-pegging is abolished, so would the Special Rate Variation process be abolished.

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

WSROC supports Special Rates to facilitate urban renewal.

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

No comment.

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?

WSROC notes that Sections 555 and 556 of the Local Government Act 1993, covering the provision of rate exemptions are at times difficult to understand and equally difficult to apply. The current legislation has not kept pace with changes in the nature, scale and operations of some contemporary organisations. These Sections require review to provide greater clarity, specific areas that need additional consideration because of their growth in numbers include.

- *Public benevolent institutions (PBI's) and the much looser interpretation being applied by the courts.*
- *Private schools, particularly in established areas.*
- *Properties owned by various statutory authorities e.g. RAAF, Universities, RMS acquired properties*

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?

No comment.

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

WSROC supports the current pensioner concession scheme as a reasonable balance between offering an appropriate level of discount to pensioners without imposing too much of an additional burden on non-concessional ratepayers.

Local Government does not have the capacity to improve what is essentially a welfare support payment, it could be argued that as such it should be funded by the State Government.

WSROC agrees that it is a well-targeted and effective form of pensioner assistance worthy of consideration by the State Government as a potential channel to deliver additional State Government assistance.

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?

WSROC interpretation is that the quantum of rates otherwise levied (before the merger) on properties for each of the four years after the merger cannot be altered during the freeze period.

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?

WSROC considers that existing Crown Land adjustments should continue to apply for merged councils.

WSROC considers that a Special Rate to fund new infrastructure is entirely reasonable and would facilitate urban renewal. Merged Councils and those not affected should be aligned as much as possible on those matters where common objectives pre-exist.

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

WSROC considers that Councils that have gained the support of their communities for their plans to; achieve financial sustainability and providing an approach to harmonise rates across the merged areas, to improve services and infrastructure and achieve greater equity should be free to execute Special Variations.

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

WSROC considers that Councils should be free to consider and execute the wishes of the ratepayer communities. The rate path freeze should be seen as a safety net that may or may not be required depending on individual community aspirations.

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)?

See comment 16.

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?

See comment 16.

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

See comment 16.

20. We considered several options for implementing the Rate Path 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 options to implement the Rate Path Freeze Policy?

No comment.

Establishing new, equitable rates after the 4-year freeze

21. Should changes be made to the Local Government Act 1993, 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?

No comment.

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?

See comment 16.

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

No comment.