SECOND READING SPEECH

Local Government Amendment Bill 2011

Bryan Green MP
Minister for Local Government

I move – That the Bill now be read for the second time.

As members are aware, uneven growth in the value of property in Tasmania has resulted in substantial changes in how the burden of council rates is distributed across households. While some households have experienced a decrease in their share of rates, some ratepayers have experienced substantial increases.

This uneven increase in property value is likely to continue for the ten council areas that are subject to revaluation by the Valuer-General in 2011. These are the municipalities of the Derwent Valley, Dorset, Flinders, Glamorgan-Spring Bay, Glenorchy City, King Island, Launceston City, Sorell, Tasman and Waratah-Wynyard Councils.

Councils make decisions regarding the total revenue required to deliver services to the community. The *Local Government Act 1993* (the Act) provides some tools to allow councils to equitably distribute the rates burden across the community based on judgements regarding capacity-to-pay and benefits received.

A broadly held view is that further flexibility and new tools are required to manage the impact of uneven growth in property prices in Tasmania.

This Bill will provide new tools and flexibility to assist councils with managing the impacts for ratepayers of fluctuating property valuations. The measures proposed will give councils the capacity to reduce the volatility of rates and to limit increases in rates from one year to the next.

The tools proposed in the Bill are urgently required for the 2011-12 rating year. Rating resolutions are made by councils between 1 June and 31 August each financial year. The changes in the Bill need to be in place at the beginning of this period to assist councils to mitigate the impacts of revaluations for the 2011-12 rating year.

The ten council areas subject to revaluation this year include over a third of rateable properties in the State. This is a substantial proportion of Tasmanian ratepayers.

The Government is very focussed on cost of living pressures for all Tasmanians. We want to ensure that councils have the capacity to manage the impacts of property revaluations, particularly for those who can least afford it.

The Bill has been developed after extensive consultation with the local government sector. The sector has been consulted on the provisions of the Bill and the recommendations of Access Economics, released as part of the broader Valuation and Local Government Ratings Review.

The Bill proposes:

- increasing the allowable fixed charge component of rates from up to 20 per cent to up to 50 per cent and making it easier for councils to use fixed charges;

- a new tool to cap rate increases ('change caps'); and

- clarifying provisions to assist councils to better utilise the existing rating tools in the Act.

The Bill extends the flexibility of the existing fixed charge provisions of the Act, increasing the proportion of council revenue that may be raised from a fixed charge, applied to all properties, from a maximum of 20 per cent, up to a maximum of 50 per cent of revenue. The fixed charge components of a general rate, is a set charge that every ratepayer pays as part of their rates. This reflects the shared benefit that all ratepayers receive generally from council services.

Increasing the proportion of rates that can be fixed has the benefit of limiting the impacts of property market fluctuations on rates. The Bill does not provide guidance to councils on how fixed charges should be used, or at what level, but provides additional flexibility for councils trying to manage inter-annual fluctuations in rates for Tasmanian households.

Many councils in other jurisdictions use this tool and have found it a useful way to reflect the shared benefit received by households from council services as well as reducing the overall percentage of the rate that is subject to property market volatility.

Two Tasmanian councils, Launceston City Council and West Coast Council, have successfully used fixed charges in recent years. Others have expressed some concern with the complexity of the Act with regard to calculating the maximum fixed charge that can be included in rates. This Bill simplifies the arrangements for calculating the maximum allowable fixed charge to assist councils that wish to use this tool.

The Bill also provides councils with a new, optional power to limit or 'cap' the rate increases a ratepayer may experience in any given year. Councils can, by absolute majority, determine whether or not they will apply any rate cap and the level at which it is appropriate to cap increases.

This is not ‘rate pegging’ of the kind imposed by the New South Wales State Government which limits the total revenue that may be raised by a council. Councils choosing to use this tool will continue to be able to determine their total revenue needs and set their rates accordingly.

Most ratepayers anticipate that there will be some increases in their rates bill each year and budget accordingly. But large increases as a result of volatility in property valuations are very difficult for ratepayers to plan and budget for. Importantly, rate increase capping will provide councils with the authority to limit excessive increases for individual ratepayers.

The Bill also provides flexibility to councils in setting the cap, enabling it to be varied, for example, according to class of ratepayer, or by category of land use.

This Bill allows the State Government to make regulations in relation to the setting and the application of the cap if required.

These tools have been effectively implemented by councils in South Australia and Victoria over the past decade. They have assisted these councils in managing ‘property booms’ of the kind experienced in this State over the past eight years.

Flat Rating

A number of councils in Tasmania have moved to reduce uncertainties associated with changes in rates from one year to the next by flattening the rates payable across all ratepayers, particularly residential properties. I understand that these councils would like some greater clarity in the Act regarding the authority to pursue these policies.

The Government is dealing with this issue separately as it is complex and sensitive, and deals with the foundation principles upon which the Act is based. As this issue has implications for all councils and their communities, all councils need to be consulted on the Government's flat-rating policy proposals.

I agree that it is important that the authority upon which Local Government raises revenue is clear and unambiguous. Accordingly, I will be bringing further legislative changes to Parliament in a separate package as a matter of priority.

Mr Speaker, I need to reiterate that this legislation is about delivering important tools for Local Government to be able to manage price shocks through revaluations. The changes proposed in this Bill will not require any council to change their existing rating approach.

Conclusion

In summary, Mr Speaker, the changes proposed in this Bill have been developed in close consultation with Local Government and are strongly supported as being necessary to assist councils to manage year to year changes in rates.

It is the desire of the Government to have this Bill approved by Parliament as soon as possible so that the tools can be used by councils for the 2011-12 ratings year.

I commend the Bill to the House.