

**Submission  
No 5**

## **INQUIRY INTO FIRE AND EMERGENCY SERVICES LEVY**

**Organisation:** Penrith City Council

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The Director, Portfolio Committee No 4 - Legal Affairs,  
Parliament House,  
Macquarie Street  
SYDNEY NSW 2000

Dear Sir/Madam

### **Inquiry into the Fire & Emergency Services Levy**

Penrith City Council welcomes the opportunity to make this submission in response to the Inquiry into the Fire & Emergency Services Levy.

Our response relates mainly to the impact that the levy would have had on our rural ratepayers had the levy gone ahead, and the now unnecessary legacy of rates increases that our rural ratepayers face from the revaluation that was done for purposes of the introduction of the levy.

Our responses are provided in relation to the terms of reference:

#### **(a) the policy process and financial modelling underlying the provisions of the *Fire and Emergency Services Levy Act 2017*,**

Penrith City Council believes that the financial modelling of using land values for purposes of determining a property's insurance risk was flawed. We believe that appropriate modelling was not done to ascertain the correlation between land value and insurance risk, particularly for rural properties in the Penrith City Council area which have high land values, and would have had a high levy, despite in our opinion not having a much higher insurance risk than other standard residential properties.

We believe that a cap on the levy would have been appropriate, at least for rural properties in the metropolitan areas where speculative purchasing is driving up land values but not increasing a property's fire and insurance risk. In the absence of a cap for rural residential properties, perhaps applying a lower base rate or ad valorem rate for rural residential properties may be more appropriate.

#### **(b) the policy and financial implications for all stakeholders of repealing this Act,**

Repealing the Act, whilst being a welcome decision in hindsight, has left a legacy of high rates for our rural property owners as a result of the revaluation that was done to align all NSW Councils for the purposes of the FESL.

Penrith City Council had a general revaluation in 2015 as part of the normal three year cycle. As part of that normal cycle there were some rates increases and decreases for some property owners as a result of the varying land value increases since the last revaluation in 2012. Penrith City Council was satisfied



that the rates increases for some of our properties, particularly our rural properties was commensurate to the increase in land values. It was mainly our rural areas that were impacted by average rates increases of between 9% and 18%, whilst other suburban owners had increases (or decreases in some cases) of between -22% (decrease) to 9% (increase). This is not unusual after a general revaluation.

The following year however, with the revaluation done for the purposes of the FESL, our rural property owners again suffered more rates increases due to valuation increases from only one year earlier, this time receiving larger rates increases of between 10% and 50% (above increased amounts they were already paying from the previous revaluation the year before). This amounted to average rates increases of between \$140 and \$2,400 for our rural suburbs.

Unfortunately the delay in receiving the valuations, which are usually received in late November but were not received until February, meant that Penrith City Council didn't have enough time to properly evaluate the impact of the new valuations and make any modifications to our rating structure to somehow minimise the impact of this out of cycle revaluation. Also, the unfortunate lack of financial information about any proposed levies, made it difficult for Council to do any proper rates modelling to be able to justify any changes to the rates structure.

Although the FESL was deferred, the new valuations still stood and as a result our rural ratepayers have been left with legacy rates increases, with an unnecessary increase in 2017-18 and future increases now being on top of these new rates amounts until at least the next revaluation in 2019.

**(c) alternative models for ensuring that fire and emergency services are fully funded in a fair and equitable manner; and**

A better model for the levy would be to use capital improved values which would better reflect a property's insurance risk. When coupled with a cap on the levy (at least for rural properties in the Sydney Metropolitan Area) the levy would then be a fairer levy.

Whilst NSW doesn't use Capital Improved Values for rating or land tax purposes, if Capital Improved Values are implemented for use for rating purposes, as recommended by IPART for changes to the rating system under the *Review of the Local Government Rating System*, then these values would provide a fairer levy.

Perhaps it would be best to wait until Capital Improved Values are implemented (if that is planned) and then re-introduce the levy at that time.

**(d) any other related matter.**

Penrith City Council would also like to raise two further points about the FESL which warrant a mention, with the first being method of property classifications for FESL being different from rating categories, and the second being the lack of exemptions from FESL for some property owners despite the NSW State Government mandating that Council's provide the same owners an exemption from rates.

Firstly, in relation to the property classification process for purposes of the FESL, there arose some impractical ways of determining property classifications for Council, particularly when trying to distinguish between an





industrial use for a property compared to a commercial use. Whilst an exhaustive use of industrial type uses were provided for the classification project, this relied on Council knowing every type of business that was going on in every business property in the area which in some cases required us to be looking through windows, or guessing what type of business was being undertaken from the name of the business or from google searches which in no means was accurate or practical.

This exercise, whilst impractical to begin with would have also become more impractical as time went on, as turnover of business properties would be high and would require Council to be reviewing property uses more regularly, and without any real knowledge if any properties had in fact changed tenants and or use.

It would be far more practical, where the levy is being aligned to council rates that the levy would only be aligned to its rating category under the Local Government Act, to avoid impractical ongoing reviews of classifications.

Secondly, in relation to the difference between exemptions for Council rates and exemptions or lack thereof for the FESL, Penrith City Council believes that there are double standards when it comes to the State Government requiring councils to provide rating exemptions for some property owners, but at the same time not allowing exemptions for the same owners for the FESL. We don't disagree that these owners should have to pay the FESL.

We do reiterate our view, as represented in our response to the *Review of the Local Government Act* that some exemptions from rates should be removed from the Local Government Act, particularly for Community Housing Providers. It is clear from the FESL that the State Government feels that these property owners should be contributing to a State levy and not exempting them from paying the levy. It should therefore go without saying that the same property owners should be also contributing to the important services provided by councils, including the roads, footpaths, street-lights and parks to name a few.

Penrith City Council thanks the Committee for this opportunity to make this submission and we look forward to a future levy that is more equitable and fair.

Yours sincerely,

**Matthew Saunders**  
Rates Coordinator