



Lane Cove Council

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Local Government Team
Independent Pricing and Regulatory
Tribunal of New South Wales
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Date: 19 March 2014

Doc Ref: 14760/2014

Re: Minimum Rate increase - Application

Attached please find Lane Cove Council's application and supporting documentation for an increase in the Minimum Rate by 7% over the rate pegging cap for the next five (5) years. An electronic application has also been submitted as required.

By way of background, the Lane Cove LGA is currently experiencing significant growth with a requirement to provide 3,900 new dwellings by 2031, equating to a population increase of approximately 30%. With the growth it is expected that there will be increased demand for the provision by Council of a wide range of services and facilities.

The majority of new dwellings will be home units in areas up zoned with the adoption of Lane Cove LEP 2009. Therefore, under the current rating structure the number of ratepayers on the Minimum Rate will increase disproportionately to the number of residential ratepayers generally in houses. In terms of equity, a smaller proportion of residential ratepayers i.e. residents living in houses will effectively carry a greater percentage of the rating burden despite all ratepayers having the same access to services and facilities provided by Council.

The Independent Local Government Review Panel in its recently released report on reforming Local Government in New South Wales also identified the inequity in the payment of rates between owners of apartments and owners of houses. In particular they acknowledged that in many cases owners of high value apartments are paying less in rates than owners of nearby houses worth much less.

Therefore, the purpose of the proposal is to ensure equity in sharing the rating burden, as at present 46% of residential rate payers predominately home unit properties, are on the minimum rate of \$538 contributing 21% of residential rate income. The proposal does not provide additional income to Council as ratepayers not on the minimum rate will receive a reduction in their Rates.

As noted above, under the proposal, minimum rates will increase by 7% per annum for the next five (5) years. The increase will be in addition to the normal rate pegging cap increase each year which has been set at 2.3% for 2014/15. This will mean that for 2014/15 the minimum residential rate will increase by 9.3% to \$588, an increase of \$50 or \$0.96 per week, on the 2013/14 Minimum Rate of \$538.

In support of the application, the following documentation is provided;

Attachment 1 – Extract from Council's Delivery Program and Operation Plan 2013 – 2017 which includes an Action 2.1 to Review Rating Structure to ensure a fair and equitable distribution of Rates.

Attachment 2 – Original Report to Council Meeting of 18 November 2013 outlining the proposal and options for consideration.

Attachment 3 – Minute from Council Meeting of 18 November 2013 in relation to the proposal

Attachment 4 – Copy of Minimum Rate Review Consultation Plan

Attachment 5 – Copy of advertisement placed in North Shore Times on 22nd and 24 January 2014 advising of the Minimum Rate Variation Proposal

Attachment 6 – Copy of material placed on Council's website for 6 weeks from 22 January 2014

Attachment 7 – Copy of email forwarded to 8181 residents on Council's email consultation data base

Attachment 8 – Copy of information sheet developed for the Minimum Rate Review

Attachment 9 – Copy of Information Sheet sent to 2000 residents in preparation for the deliberative Polling undertaken on behalf of Council by IRIS Consulting of 501 ratepayers

Attachment 10 – Copy of Survey Questions for the deliberative Polling undertaken by IRIS Consulting

Attachment 11 – Copy of Survey Results report from IRIS Consulting

Attachment 12 – Report to Council on 17 March 2014 recommending making application to IPART

Attachment 13 – Minute from Council Meeting on 17 March 2014 resolving to make application to IPART for Minimum Rate Review

Attachment 14 – Copy of Council's Policy F02011 – Outstanding Debt Management Policy

Attachment 15 – Hard Copy of Application Part A

Attachment 16 – 2013 Update of Council's Long Term Financial Plan

Attachment 17 – Certification by General Manager and Responsible Accounting Officer

Should you require any further information or documentation please contact Council's Executive Manager Corporate Services, Craig Dalli on 9911 3510 or email cdalli@lanecove.nsw.gov.au

Yours faithfully,



Craig Dalli
Executive Manager Corporate Services

Criterion 1: Rationale for the Minimum Rate Increase

The Lane Cove LGA is currently experiencing significant growth with a requirement to provide 3,900 new dwellings by 2031, equating to a population increase of approximately 30%. With the growth it is expected that there will be increased demand for the provision by Council of a wide range of services and facilities.

The majority of new dwellings will be home units in areas up zoned with the adoption of Lane Cove LEP 2009. Therefore, under the current rating structure the number of ratepayers on the Minimum Rate will increase disproportionately to the number of residential ratepayers generally in houses. In terms of equity, a smaller proportion of residential ratepayers will effectively carry a greater percentage of the rating burden despite all ratepayers having the same access to services and facilities provided by Council.

In view of this scenario, Council included an Action in its 2013 - 2017 Delivery Program and Operational Plan to review the rating structure to ensure a fair and equitable distribution of rates. (refer **Attachment 1**)

The rationale for increasing the minimum rate is therefore based on the following equity principles:-

1. For the most part, ratepayers receive the same benefits from Council and have access to the same range of facilities, regardless of the amount of rates paid.

Services include; parks and recreation facilities, road construction and maintenance, footpaths, street lighting, street cleansing, Fire Brigade levy, dog and pest control, library services, community services, sporting and health facilities, building control & town planning, environmental planning, sustainability and conservation, bushfire control and more;

2. Ratepayers in units, some with similar number of occupants to an average house pay considerably less rates for the same amount of services. ABS Census data from 2011 identified that 10,471 Lane Cove residents lived in units, with the average occupancy rate per unit being 1.90 persons and 18,352 residents live in dwelling houses, with the average occupancy rate being 3.03 persons.
3. The 5,966 or 46.43% of residential properties subject to the Minimum Rate, contribute only approximately 21% to the overall residential rate income.
4. Over a period of time rate pegging has increased the gap between Minimum Rates and those above the minimum.

Over a period of time rate pegging has increased the gap between Minimum Rates and those above the minimum. For example in 2002/2003 the gap between the minimum residential rate (\$330) and the average ad valorem rate (\$1,056) was \$726 per annum. In 2012/2013 the gap between the then minimum residential rate (\$520) and the average ad valorem rate (\$1,674) was \$1,154 per annum. This means the gap between minimum and ad valorem residential rates increased by \$428 over ten (10) years.

Rates paid for home units are based on the strata title unit entitlements, i.e. the size of each unit compared to other units. As the land value component of each unit is so low, all units pay the same minimum rate, currently \$538, regardless of size and location. For example in Duntroon Avenue, St Leonards, a ground floor 90sqm unit has an entitlement value of \$67,648, while a top floor 167sqm has a value of \$105,096. Despite the difference they both pay the same in rates because the entitlement has no effect until the value reaches the current break even amount of \$292,302.

The inequity issue extends beyond units, as houses have higher land values and therefore pay considerably more in rates. For example a house in Burns Bay Road, Lane Cove sold for \$875,000 in January 2012 pays rates of \$1,235, while the larger Duntroon unit bought for \$825,000 in June

2011, pays rates of \$538. Other examples include another house in Burns Bay Road bought for \$1,150,000 in February 2012 pays rates of \$1,646, while a unit in Burns Bay Road sold for \$1,410,000 in February 2013 is levied the minimum rate of \$538.

These issues are addressed in the report to the Council Meeting on 18 November 2013 which also presented options for Council's consideration (refer **Attachment 2**).

Additionally, the Independent Local Government Review Panel in its recently released report on reforming Local Government in New South Wales also identified the inequity in the payment of rates between owners of apartments and owners of houses. In particular they acknowledged that in many cases owners of high value apartments are paying less in rates than owners of nearby houses worth much less.

Criterion 2: Impact on Ratepayers

It is noted that the adopted rating structure for 2013/14 is as follows:-

- For Residential Rates, a minimum Rate of \$538 is payable for land up to a value of \$292,302 with an ad valorem tax rate i.e. rate in the dollar of 0.184056, applied to all land values in excess of \$292,302 (the break even value); and
- For Business Rates, a minimum rate of \$800 applies to land values up to \$99,263 and an ad valorem rate of 0.805940 applies to all land values in excess of \$99,263 (the break even value). However, it is not proposed to modify the current Business Rating Structure.

The number of residential ratepayers on minimum and ad valorem rates in 2013/2014 is as follows:-

	Residential	
On Minimum Rate	5,966	46.43%
On Ad Valorem Rate	6,884	53.57%
	12,850	100%

To address the inequity in the rating structure it was proposed to undertake a review of the current structure for residential rates. This involves increasing the value of the minimum rates, while reducing the ad valorem rate. This will not result in additional income to Council, but will achieve a shift in the rates burden onto units from houses to more equitable levels. The following table shows that based on Council's modelling, over the next five (5) years the number of ratepayers on the Minimum Rate will increase from the current 21% to approximately 41%, to more accurately reflect the ABS Census data from 2011 which identified that the average occupancy rates for units in Lane Cove is 1.9 persons and 3.03 persons for houses i.e. approximately a 40:60 split.

Based on increases in the minimum rate of 7% per annum over the next five years i.e. from 2014/15 plus an estimated 3% per annum rate cap, the rating structure including minimum rates will be as follows:-

1 Year	Estimated Number of Ratepayers		4 Total Rate Payers Estimated	5 Min Rate	6 Average Ad Valorem Rates	7 8 Rates Income Break Up	
	2 Min Rate	3 Ad Valorem				% Min	% Ad Val
2013/14	5,966	6,884	12,850	\$538.00	\$1,735.56	21%	79%
2014/15	6,266	6,859	13,125	\$592.00	\$1,734.94	24%	76%

2015/16	6,766	6,840	13,606	\$651.00	\$1,706.58	27%	73%
2016/17	7,266	6,820	14,086	\$716.00	\$1,665.33	31%	69%
2017/18	7,766	6,800	14,566	\$788.00	\$1,608.41	36%	64%
2018/19	8,266	6,780	15,046	\$867.00	\$1,534.20	41%	59%

Hardship Considerations

Council considers that in terms of affordability, Rates represent a relatively small component of expenses for strata units when comparing the current Minimum Rate of \$538 per annum to strata fees, which can range from \$500 to \$2,000 per quarter i.e. \$2,000 to \$8,000 per annum. At present there are 398 pensioners out of the 5,966 ratepayers on the Minimum Rate. Whilst it is anticipated that there would be a low level of hardship as a result of the less than \$1.00 per week increase proposed for 2014/15, Council has an existing safety net for pensioners which allows them to make application for hardship relief under Council's Outstanding Debt Management Policy at **Attachment 14**. It is noted that clause 3.3 of the Policy provides that eligible pensioners can have their rates and charges accrue against their Estate and that under no circumstances will legal recovery action be taken against pensioner rates rebate concession.

Additionally, consideration has been given to the socio-economic indicators for the area with it acknowledged that based on income levels, high levels of academic qualifications of residents, number of professionals owning property in the area, as well as the above average property values, an increase in Minimum Rates by the amounts proposed would have a minor impact on Lane Cove Ratepayers.

By way of comparison, 2013/14 Minimum Rates for Council's in the region are as follows:

Ryde	\$473
Ku-ring-gai	\$474
North Sydney	\$474
Hunters Hill	\$492
Willoughby	\$702.20
Manly	\$751.50
Warringah	\$793
Pittwater	\$800

Criterion 3: Consultation

In deciding to consult the community on the proposal, Council resolved that the community be consulted in a variety of ways including website, email notification, independent survey, community meetings and newspaper advertisement.

Council at its meeting on 18 November 2013 (refer to **Attachment 2**) therefore adopted the following consultation matrix which is designed to inform the community of the proposal and to seek feedback. Any comments and survey responses to be reviewed and evaluated to determine if Council should proceed with the changes to the rating structure and if so which structure to adopt.

Level of Participation	Inform	Inform	Consult	Consult
Form of Participation	Open	Targeted	Open	Targeted
Target Audience	Lane Cove Community	Community Associations	Lane Cove Community	Ratepayers
Proposed Medium	Advertisement and eNewsletter.	Briefing Sessions	Website Exhibition, Public Exhibition including staff exhibition over 2 days, Thursday	Deliberative Poll

			evening and Saturday morning in the Plaza.	
Indicative Timing	Late Jan – Mar 2014	Late Jan – Mar 2014	Late Jan – Mar 2014	Late Jan – Mar 2014

A copy of the adopted Consultation Plan is at **Attachment 4**.

Consequently extensive community consultation was undertaken for a period of six (6) weeks commencing on 22 January 2014 with public notification of the proposal in the North Shore Times (refer **Attachment 5**) and on Council's website (refer **Attachment 6**). An email was also sent to approximately 8,181 members of the public registered to receive community consultation notifications. Additionally, the following consultation methods were undertaken:-

- Development of a four page information pack which outlines the proposal, impact and rationale in detail (refer **Attachment 8**)
- Deliberative Polling involving 501 Residents randomly selected;
- Community Leaders Information Session – Lane Cove Civic Centre on Wednesday 5 February; and
- Public Exhibition in the Plaza involving staff on Thursday 13 February and again on Saturday 22 February.

Results of the Deliberative Polling undertaken independent of Council by IRIS consulting, are as follows:-

	Raw Results	Weighted Results
In Support	70.9%	64.8%
Opposed	29.1%	35.2%

It is noted the weighted results were requested to ensure there was a balance between the number of ratepayers living in units (and currently paying the Minimum Rate) and other ratepayers currently subject to Ad Valorem Rates. The full polling results report from IRIS consulting is at **Attachment 11**.

In addition to the Deliberative Polling, 83 formal written responses were received from the community, with the results being as follows:-

In Support	60
Opposed	23

Therefore, as a result of the community consultation, there is significant support for the proposal from the respondents including more than two thirds of residents (64.8%) involved in the Deliberative Poll and 72.2% of written responses also being in support.

The above outcomes of the consultation were reported to Council on 17 March 2014 (refer to **Attachment 12**) informing Council in resolving to proceed with an application to IPART.

