

The
Bluett
AWARD



2014 WINNER

For excellence in local government

818 Pacific Highway, Gordon NSW 2072

Locked Bag 1056, Pymble NSW 2073

T 02 9424 0000 F 02 9424 0001

DX 8703 Gordon TTY 133 677

E kmc@kmc.nsw.gov.au

W www.kmc.nsw.gov.au

ABN 86 408 856 411



Reference: S06788/5 2016/284885

14 October 2016



Review of Local Government Rating System
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET NSW 1240

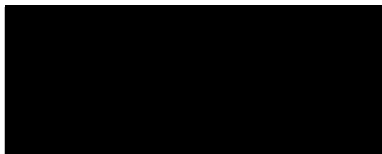
Dear Sir/Madam

Review of the Local Government Rating System - Draft Report

Ku-ring-gai Council welcomes the opportunity to submit a response to the recommendations listed in the "Review of Local Government Rating System – Draft Report".

Please find attached our comments in this matter.

Yours faithfully



John McKee
General Manager

IPART Draft Report “Review of Local Government Rating System”

Ku-ring-gai Council Submission

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|--|---|---|
| 1.7 p.9 IPART | List of IPART draft recommendations | |
| Allow councils to use CIV as an alternative to UV in setting rates | | |
| | 1. Councils should be able to choose between the Capital Improved Value (CIV) and Unimproved Value (UV) methods as the basis for setting rates at the rating category level. A council's maximum general income should not change as a result of the valuation method they choose. | Supported - Consistent with previous Council submission Capital Improved Value is more easily understood by the public than other methods and is more equitable in terms of the ability to pay principle and the benefits principles. However all local government areas are different and due to the extra complexity and cost in administering Capital Improved valuations compared to Unimproved Value, Councils should be given the option of which valuation method they choose to use. |
| | 2. Section 497 of the Local Government Act 1993 (NSW) should be amended to remove minimum amounts from the structure of a rate, and section 548 of the Local Government Act 1993 (NSW) should be removed. | Not Supported Councils should have the option to use minimums amounts in their rating structures. Councils perform detailed modelling of their rates structures and should be able to determine whether the use of minimums is appropriate for their rating structures. |
| Allow councils' general income to grow as the communities they serve grow | | |
| | 3. The growth in rates revenue outside the rate peg should be calculated by multiplying a council's general income by the proportional increase in Capital Improved Value from supplementary valuations. – This formula would be independent of the valuation method chosen by councils for rating. | Supported |
| | 4. The <i>Local Government Act 1993</i> (NSW) should be amended to allow councils to levy a new type of special rate for new infrastructure jointly funded with other levels of Government. This special rate should be permitted for services or infrastructure that benefit the community, and funds raised under this special rate should not: | Council previously submitted that Councils who have demonstrated sound financial management should be exempted from rate pegging, not just for projects funded with other levels of government. Councils should also be able to apply to continue existing special variations that expire during the rates freeze period. |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|---|--|---|
| | <ul style="list-style-type: none"> - form part of a council's general income permitted under the rate peg, nor - require councils to receive regulatory approval from IPART. | Supported, however exemptions should apply to all rates for all purposes for Councils who have demonstrated sound financial management. Councils should also be able to apply to continue existing special variations that expire during the rates freeze period. |
| | 5. Section 511 of the <i>Local Government Act 1993</i> (NSW) should be amended to reflect that, where a council does not apply the full percentage increase of the rate peg (or any applicable Special Variation) in a year, within the following 10-year period, the council can set rates in a subsequent year to return it to the original rating trajectory for that subsequent year. | Supported |
| Give councils greater flexibility when setting residential rates | | |
| | <p>6. The <i>Local Government Act 1993</i> (NSW) should be amended to remove the requirement to equalise residential rates by 'centre of population'. Instead, councils should be allowed to determine a residential subcategory, and set a residential rate, for an area by:</p> <ul style="list-style-type: none"> - a separate town or village, or - a community of interest. | Supported - Consistent with previous Council submission: The current restriction on residential categorisation that allows only one category within a centre of population should be removed. There are wide variations in land value within local government areas which results in large disparities in the rates paid which do not relate to the benefits received. This will become more pronounced within the merged Councils. Similarly, Councils should also be able to sub categorise by the type of residential accommodation such as apartments or single dwellings. |
| | 7. An area should be considered to have a different 'community of interest' where it is within a contiguous urban development, and it has different access to, demand for, or costs of providing council services or infrastructure relative to other areas in that development. | Supported |
| | <p>8. The <i>Local Government Act 1993</i> (NSW) should be amended so, where a council uses different residential rates within a contiguous urban development, it should be required to:</p> <ul style="list-style-type: none"> - ensure the highest rate structure is no more than 1.5 times the | Not supported. IPART provided no evidence or analysis as to why they have recommended the multiple of 1.5 other than that for most newly merged metropolitan Councils the range between the pre-merger areas was less than 1.5 times. |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|----|---|--|
| | <p>lowest rate structure across all residential subcategories (ie, so the maximum difference for ad valorem rates and base amounts is 50%), or obtain approval from IPART to exceed this maximum difference as part of the Special Variation process, and</p> <ul style="list-style-type: none"> - publish the different rates (along with the reasons for the different rates) - on its website and in the rates notice received by ratepayers. | |
| | <p>9. At the end of the 4-year rate path freeze, new councils should determine whether any pre-merger areas are separate towns or villages, or different communities of interest.</p> <ul style="list-style-type: none"> - In the event that a new council determines they are separate towns or villages, or different communities of interest, it should be able to continue the existing rates or set different rates for these pre-merger areas, subject to metropolitan councils seeking IPART approval if they exceed the 50% maximum differential. It could also choose to equalise rates across the pre-merger areas, using the gradual equalisation process outlined below. - In the event that a new council determines they are not separate towns or villages, or different communities of interest or it chooses to equalise rates, it should undertake a gradual equalisation of residential rates. The amount of rates a resident is liable to pay to the council should increase by no more than 10 percentage points above the rate peg (as adjusted for permitted Special Variations) each year as a result of this equalisation. The <i>Local Government Act 1993</i> (NSW) should be amended to facilitate this gradual equalisation. | <p>Not supported, the 50% maximum differential is not substantiated.</p> <p>Supported, as long as this also means that the rates revenue a council can raise is not reduced by this gradual equalisation. Any limit on increases need to be offset by similar limits on decreases.</p> |
| | <p>Better target rate exemption eligibility</p> | |
| | <p>10. Sections 555 and 556 of the <i>Local Government Act 1993</i> NSW should be amended to:</p> | <p>Supported - Consistent with previous Council submission</p> |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|----|---|--|
| | <ul style="list-style-type: none"> - exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and - ensure land used for residential and commercial purposes is rateable unless explicitly exempted. | |
| | <p>11. The following exemptions should be retained in the <i>Local Government Act 1993</i> (NSW):</p> <ul style="list-style-type: none"> - section 555(e) Land used by a religious body occupied for that purpose - section 555(g) Land vested in the NSW Aboriginal Land Council - section 556(o) Land that is vested in the mines rescue company, and - section 556(q) Land that is leased to the Crown for the purpose of cattle dipping. | <p>Not Supported. Council's previously submitted that rates exemptions should be funded by state or federal governments rather than local ratepayers.</p> |
| | <p>12. Section 556(i) of the <i>Local Government Act 1993</i> (NSW) should be amended to include land owned by a private hospital and used for that purpose.</p> | <p>Not Supported</p> <p>This will increase the exemptions, effectively providing a subsidy of private health services by local ratepayers. Private hospitals operate on a “for-profit basis” and not all their activities are comparable to a public hospital.</p> |
| | <p>13. The following exemptions should be removed:</p> <ul style="list-style-type: none"> - land that is vested in, owned by, or within a special or controlled area for, the Hunter Water Corporation, Water NSW or the Sydney Water Corporation (<i>Local Government Act 1993</i> (NSW) section 555(c) and section 555(d)) - land that is below the high water mark and is used for the cultivation of oysters (<i>Local Government Act 1993</i> (NSW) section 555(h)) - land that is held under a lease from the Crown for private purposes | <p>Supported - Consistent with previous Council submission</p> |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|-----|--|--|
| | <p>and is the subject of a mineral claim (<i>Local Government Act 1993</i> (NSW) section 556(g)), and</p> <ul style="list-style-type: none"> - land that is managed by the Teacher Housing Authority and on which a house is erected (<i>Local Government Act 1993</i> (NSW) section 556(p)). | |
| 14. | <p>The following exemptions should not be funded by local councils and hence should be removed from the Local Government Act and Regulation</p> <ul style="list-style-type: none"> - land that is vested in the Sydney Cricket and Sports Ground Trust (<i>Local Government Act 1993</i> (NSW) section 556(m)) - land that is leased by the Royal Agricultural Society in the Homebush Bay area (<i>Local Government (General) Regulation 2005</i> reg 123(a)) - land that is occupied by the Museum of Contemporary Art Limited (<i>Local Government (General) Regulation 2005</i> reg 123(b)), and - land comprising the site known as Museum of Sydney (<i>Local Government (General) Regulation 2005</i> reg 123(c)) <p>The State Government should consider whether to fund these local rates through State taxes</p> | Supported - Consistent with previous Council submission: |
| 15. | <p>Where a portion of land is used for an exempt purpose and the remainder for a non-exempt activity, only the former portion should be exempt, and the remainder should be rateable.</p> | Supported - Consistent with previous Council submission: |
| 16. | <p>Where land is used for an exempt purpose only part of the time, a self- assessment process should be used to determine the proportion of rates payable for the non-exempt use.</p> | Supported - Consistent with previous Council submission: |
| 17. | <p>A council's maximum general income should not be modified as a result of any changes to exemptions from implementing our recommendations.</p> | <p>Not Supported</p> <p>This means Councils would not get more income but other ratepayers would pay less if exemptions were removed. Councils should be able to increase their income due to exemption changes. The initial increase income should be outside of the rate peg as other ratepayers should not be burdened with the initial increase in the first year.</p> |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|---|---|--|
| | 18. The <i>Local Government Act 1993</i> (NSW) should be amended to remove the current exemptions from water and sewerage special charges in section 555 and instead allow councils discretion to exempt these properties from water and sewerage special rates in a similar manner as occurs under section 558(1). | Supported |
| | 19. At the start of each rating period, councils should calculate the increase in rates <i>that</i> are the result of rating exemptions. This information should be published in the council's annual report or otherwise made available to the public. | Supported - Consistent with previous Council submission |
| Replace the pensioner concession with a rate deferral scheme | | |
| | 20. The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government. <ul style="list-style-type: none"> - Eligible pensioners should be allowed to defer payment of rates up to the amount of the current concession, or any other amount as determined by the State Government. - The liability should be charged interest at the State Government's 10-year borrowing rate plus an administrative fee. The liability would become due when property ownership changes and a surviving spouse no longer lives in the residence. | Supported - Consistent with previous Council submission The subsidy of pensioners should not be a local government responsibility. Concessions to pensioners should be fully funded by the state or federal government. |
| Provide more rating categories | | |
| | 21. Section 493 of the <i>Local Government Act 1993</i> (NSW) should be amended to add a new environmental land category and a definition of 'Environmental Land' should be included in the LG Act. | Supported - Consistent with previous Council submission: |
| | 22. Sections 493, 519 and 529 of the <i>Local Government Act 1993</i> (NSW) should be amended to add a new vacant land category, with subcategories for residential, business, mining and farmland | Not Supported Vacant Land should be introduced as a subcategory of residential, farmland and business. This should be at Council's discretion under the Local Government Act. |
| | 23. Section 518 of the <i>Local Government Act 1993</i> (NSW) should be | Supported |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|----|--|---|
| | <p>amended to reflect that a council may determine by resolution which rating category will act as the residual category.</p> <ul style="list-style-type: none"> – The residual category that is determined should not be subject to change for a 5-year period. – If a council does not determine a residual category, the Business category should act as the default residual rating category | <p>Further the period should be for 4 years rather than 5 years and should be one of the first acts of the new Council</p> |
| | <p>24. Section 529 (2)(d) of the <i>Local Government Act 1993</i> (NSW) should be amended to allow business land to be subcategorised as ‘industrial’ and or ‘commercial’ in addition to centre of activity.</p> | <p>Supported - Consistent with previous Council submission</p> <p>Councils should also be able to subcategorise by the type of activity</p> <p>Councillors were invited to submit individual comments on the rating review in addition to the adopted Council submission. The Mayor of Ku-ring-gai, Cr Jennifer Anderson, submitted that councils should be able to subcategorise by activities undertaken by not for profit community organisations who often have limited financial resources while contributing significant social benefit to local communities.</p> |
| | <p>25. Section 529 (2)(a) of the <i>Local Government Act 1993</i> (NSW) should be replaced to allow farmland subcategories to be determined based on geographic location</p> | <p>Supported - Consistent with previous Council submission</p> |
| | <p>26. Any difference in the rate charged by a council to a mining category compared to its average business rate should primarily reflect differences in the council’s costs of providing services to the mining properties.</p> | <p>Not applicable</p> |
| | <p>Recovery of council rates</p> | |
| | <p>27. Councils should have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges</p> | <p>Supported</p> |
| | <p>28. The existing legal and administrative process to recover outstanding rates should be streamlined by reducing the period of time before a property can be sold to recover rates from five years to three years</p> | <p>Supported</p> |
| | <p>29. All councils should adopt an internal review policy, to assist those who are late in paying rates, before commencing legal proceedings to recover unpaid</p> | <p>Supported</p> |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|----|---|---|
| | rates | |
| | 30. The <i>Local Government Act 1993</i> (NSW) should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers | <p>Supported - Consistent with previous Council submission:</p> <p>Changes to the Act are not required as this is already allowed under Section 564. It is agreed that the Office of Local Government should issue guidelines for clarification of this section</p> <p>Section 562 needs clarification as to when rates and charges are due for payment. Is the right to pay by instalments automatic even if a payment is not made or is payment in full of the balance outstanding required if an instalment payment is missed? The interpretation of this affects the application of many other sections of the LGA not the least being Sections 566 and 712.</p> <p>Interest charges should be set at a level that acts as an incentive to paying rates ahead of other household and business debt.</p> |
| | 31. The <i>Local Government Act 1993</i> (NSW) should be amended to allow councils to offer a discount to ratepayers who elect to receive rates notices in electronic formats, eg, via email | <p>Not Supported</p> <p>The discount that could be offered would not be enough incentive for ratepayers to change and would disadvantage some ratepayers, i.e. pensioners who may not be computer literate. The word email should be changed to “electronically” as not all notices are delivered directly to the ratepayer, i.e. BPay view.</p> |
| | 32. The <i>Local Government Act 1993</i> (NSW) should be amended to remove section 585 and section 595, so that ratepayers are not permitted to postpone rates as a result of land rezoning, and councils are not required to write-off postponed rates after five years. | <p>Supported</p> <p>The current process of levying rates and having part of them postponed until the use of the property changes is old fashioned and causes confusion for ratepayers, Council staff and solicitors. Guidelines should be implemented on how Councils should transition properties that currently have postponed rates.</p> |
| | Other draft recommendations | |
| | <p>33. The valuation base date for the Emergency Services Property Levy and council rates should be aligned.</p> <p>– The NSW Government should levy the Emergency Services</p> | Supported |

| No | Issue on which comment is sought | Ku-ring-gai Council Comments |
|----|---|--|
| | Property Levy on a Capital Improved Value basis when Capital Improved Value data becomes available state-wide | |
| | 34. Councils should be given the choice to directly buy valuation services from private valuers that have been certified by the Valuer General. | Supported - Consistent with previous Council submission: |