

## **Lane Cove Council's submission on the draft report – August 2016 on the NSW Local Government Rating Review**

The following is a submission on behalf of Lane Cove Council. Council's submission proposes to; support the use of CIV for rating valuations, recommend that councils be permitted to maintain minimum rates where UV is retained, support land use and not ownership for the eligibility of rating exemptions, support removal of pensioner rebates to be replaced with a State Government rate deferral system and supports additional flexibility in rating categories and communities of interest.

### **Discussion**

The option to use capital improved value (CIV) which considers the value of land and structures such as houses and uses of land, instead of the unimproved value which considers land value only, focuses on equity and efficiency to raise rates on apartments that correlates more closely to benefits received and the cost of services. Unimproved values (UV), which have been the legislative requirement in NSW, are generally only efficient in areas where development is low.

To address the issue of equity, due to the increasing development in Lane Cove, Council sought and received approval from IPART to progressively increase the minimum rate from \$592 to \$867 over the period from 2014/15 to 2018/19. This effectively increased the share of rates raised by apartments in proportion to residential houses.

With the recommendation to remove the minimum rate Council would need to use CIV, sourced from an independent valuer, or see a reduction in the rates raised from apartments. It is held that where Councils decide to remain with UV, due to cost or the availability of data, that minimum rates should be retained.

Changing the exemptions for rating based on land use not ownership is generally supported. The eligibility of rating exemptions based on land use would ensure that comparable land uses attract the same rating treatment.

Pensioner concessions are currently provided by means of a 50% discount on their combined ordinary council rates and waste charges, up to a maximum of \$250 per annum. The current scheme is jointly funded by the State Government (55%) and the local council (45%). This is inequitable as it requires other ratepayers in the council area to pay higher rates to fund a State/Federal Government social policy and is not consistent with other states.

Lane Cove Council currently has 927 eligible pensioners or approximately 6% of the rating base. In 2015/16 pensioner rebates totalled \$246,000 with the State contributing \$135,000 and Council \$111,000. Submissions to the Inquiry were generally around indexing the pensioner subsidy and having it paid for by the State Government.

IPART have recommended that the State Government should continue its commitment to pensioners but through a rate deferral scheme rather than a pensioner rebate. This would continue assistance for income poor pensioners and not narrow the rate base. Implementation of a rate deferral scheme in lieu of pensioner rebates is generally supported however further clarification is required. An alternative would be to allow Councils to add the subsidy liability to the permissible rates yield.

At present, councils are able to subcategorise business land according to a centre of activity. This results in councils having to charge a single rate based on the centre of activity, even when business activities within these centres are highly diverse. IPART propose that councils should be allowed to subcategorise business land as commercial or industrial in addition to the centre of activity sub category. This subcategorisation is consistent with the proposed treatment under the new Emergency Services Property Levy. Providing additionally flexibility in rating categories is supported.

At the end of the four year (4) freeze, new councils should determine whether any pre-merger areas are communities of interest. IPART have recommended that in the event that a new council determines that there are separate communities of interest, it should be able to continue the existing rates for pre-merger areas. IPART have also recommended that where a new council determines that there is no separate community of interest and chooses to equalise rates the equalisation should be gradual. This would resolve the current disparity of the proposed merged entity and again flexibility is supported.