

Submission on Rating System

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Context of the review

Recommendations from ILGRP suggested a review of rating looked to a methodology that would increase income. While the State Government policy of rate cap remains in place any rating system will change the distribution of rate income rather than achieve the objectives of the ILGRP recommendation

The proposed change to an emergency services levy to one based on property values means that it is critical that the same value is used for both the levy and rates. for simplicity for the community. Given that about 5% of rates currently are paid by the council for emergency services levy IPART should request in the interim report that it can include in this review the methodology for collection of that levy and whether councils will continue to pay that levy and on what basis.

Taxation Principles

I agree with the taxation principles used in this review

Valuation methodology

The review of methodology in the paper gives a good overview of the options. CIV is considered to be the best methodology but it is important that it is mandated and called market value so the community understand the figures.

Market values should be based on actual sales and then split between UV and improvements. The three yearly review should only take sales and index the improvements by a suitable measure and add updated UV. As part of a major change, demolition, rebuild or construction of a property the Council would obtain a market valuation of the property on completion within the three year revaluation cycle ARV is just too difficult to communicate to the community

Use of private valuers

For absolute consistency and to ensure confidence the process must be overseen by the Valuer General. The Valuer General could sell access to its data base to recover some of the costs of the development and maintenance of the data base

Base or Minimum

Base systems have often been used to overcome the equity issues with UV as a valuation metrology. A move to market value would overcome this need and for consistency across councils a minimum system should be used.

Changes to rating categories

There do not seem to be sufficient advantages to justify change in this area.

Current system equity issues across communities

I support the view that local government rates should support the services in that local government area and should not cross subsidise other communities. However with much larger councils being proposed there could well be a major issues with what used to be centres of population. For example Hunters hill used to be a centre of population with rates providing services in that area but in a merged larger council the rates from Hunters Hill may well be used for services in what were other centres of population. Use of a general base and special rates may help overcome these difficulties.

Changes to rate pegging and special rate variations

Having made submissions to annual budgets, annual accounts and application for special rate variations and finding my submission was one of a handful makes me challenge the view of the ILGRPI that the IP&R process has a high level of community involvement and understanding. There is little or no emphasis in plans on productivity improvements in provision of high quality services and asset management. The focus on bottom line surplus being the basis of not having to do special rate variations would take all the pressure off productivity.

It is recognised that population growth is putting pressures on local government and there could be the view that the federal government that controls level of immigration should contribute to those communities absorbing the increase.

Given that councils are monopolies and not subject to competitive pressures it is important to keep the current SRV process. I do not take the view that SRV is too onerous and it is probably easier than working on productivity improvements Making it easier would further take pressure off productivity in local government. IPART should be asked to build population growth into the rate pegging process

Urban renewal

A change to market value from UV will have a small impact on urban renewal as the major change in value comes from rezoning of land for multiple dwellings and rates being charged are and will remain a smaller cost than body corporate fees.

Support your views that then current act has the ability to encourage urban renewal.

Overdue rates

Overdue rates across the state remain low. Rates are a very low % of the asset value being rated and the rates probability have a low claim position in any liquidation While the flexibility offered by the utility companies may be of interest the utility companies may be able to cut off service which is not really an option for a council. While the current system may take up court time the fact that they are uncontested suggest that there may be a better system for uncontested claims in the court system rather than a change to council processes.

Current exemptions appropriate

Generally there are no issues with exemptions except that charities running businesses that compete with organisations that do not get exemptions should have that rebate reduced

Transparency is the most important and I support a rebate system where rebates are shown in the accounting system rather than just being an exemption that is not reported elsewhere. This will mean a focus on this issue annually in plans and accounts.

Exemptions for current state taxes

There does not seem to be any benefits in changes here unless councils are running businesses competing with private enterprise supplying the same service like child care in the local area and then council businesses should pay state taxes

Pensioner rebates

The current system gives both councils and State a responsibility. I support a means test based on asset valuation and I assume that asset must be principle place of residence not an investment property, This may also assist in urban renewal

What does rate freeze policy mean

Your interpretation means that total pre merger council general income is adjusted by rate peg or approved special rate variation and expiry of temporary special rate variation. This interpretation means that special rate variations proposed by councils and incorporated in their merger proposals in the rate freeze period will not go ahead. This makes the financial projection put before the community false and misleading. This point must be made in your report.

I recommend that the rate peg, approved SRV and expiry of temporary SRV be applied as an increase at an absolute % not a ceiling at an individual property level.

This will then cover increases for properties who are paying the minimum rate

The reasons for this recommendation are

- a) this will give absolute certainty to the community in way that can be communicated to them and the community can understand
- b) it will give a new merged council time to focus on the rate structure for the new council rather than explaining calculating and communicating rates based on the old council boundaries and
- c) The costs of amalgamation in all the proposals even with the grant from the government are not exceeded by the savings for at least three years so it is important the new councils do not have no rate increases platforms available to potential councillors as a political option as could happen under a ceiling
- d) It will give the council time to focus on the use of special rates to cover different service levels across the much greater areas
- e) it will give time to communicate what the rates for council general income constrained by the rate cap in and SRV in total the whole would be and how the rates could be distributed among the categories

- f) it will give time to explain options for bringing current rates in line with the new cap and that changes on any one year be limited to 7% on the up side and 3% on the downside. .These limits are because with a rate cap rates are used as a distribution methodology and changes should be fair and equitable
- g) give a chance to implement and test a change in valuation methodology and that changes to rates from a change in methodology be limited to 7 % up and 3% down per annum

Special Rate Variations

- a) The process for special rate variations should not be changed because
 - a. Councils are monopolies
 - b. It puts pressure on for productivity improvements
 - c. It requires councils to properly consult the communities
 - d. Councils can be dominated by special interest group who demand services and capital to be directed to their area
 - e. Cross subsidisation between parts of the community should be avoided
 - f. Special rates on parts of communities using services or facilities of a new asset should be explored more often especially in much larger communities are proposed from amalgamations

Special rate variations during then freeze

The new council should not be precluded from applying for SRV in the conditions you suggested and from applying special rates to particular areas during the freeze period

Options on implementing the rate freeze policy

Support option 3 as it requires the government to clearly define the policy and it undergo the scrutiny of the parliament

Equitable and change should centre of population be changed

Within a centre of population should be maintained and excessive rate increases could be limited to 7% above and 3% below the rate cap so that equalisation occurs over a number of years.

The use of special rates for areas could be used to cover different service levels.

SRV premerger be included in rate base of merged council

These SRV should be included in rate base after freeze period