

From: Gary Mills [REDACTED]

Sent: Monday, 9 May 2016 3:57 PM

To: IPART Mailbox

Subject: Rating Review

Thank you for the opportunity to make a submission on rating. I am a resident/ratepayer at Mosman Council. I have held senior financial positions in seven Councils and on that basis feel suitably qualified to comment.

I would make the following points:

- Costs of valuations are significant
- Management and administration of valuation records are also significant
- There is a general misunderstanding in the community about how valuations affect rates
- Individual rate assessments can vary differently to the approved rate peg or SRV
- There is a strong emotive support for valuation based rate determination - those in big houses should pay more!
- All residents have equal access to Council Services
- There is also a significant effort involved in the determining an annual rate peg and in monitoring Council performance to ensure they do not exceed the rate peg limit.

I have undertaken a review of the level of average residential rates for all NSW Councils and have found (based on 2014/15 comparative data - Source OLG) the following:

Number of Councils with an average rate greater than \$3.00 per day	13
Number between \$2.00 and \$3.00 per day	55
Number between \$1.00 and \$2.00 per day	46
Number below \$1.00 per day	38

A table showing each Council average residential rate is appended to my Issues Paper response. The majority of NSW ratepayers pay less than \$3.00 per day in general rates. This is a very low daily spend when compared to other household costs.

If rates were to become a fee for access to services it could then be a flat charge for all households (single and multi-unit dwellings) equal to the average rate. Clearly this amount in each Council area is affordable and would not put undue stress on ratepayers. The advantages of a flat charge include:

- Simplification of the process of determining the annual charge
- Certainty for ratepayers in regard to how much their rate charge will increase each year
- Reduced administration/recording etc of valuation information
- Reduced need for specialised rating staff

Further, the Act could be amended to allow monthly billing which would also assist in managing payments to Council.

Gary Mills
[REDACTED]

IPART Issues Paper - Review of Local Government Rating System

Submission prepared by Gary Mills, ratepayer Mosman Council.

No	Issue on which comment is sought	Pages	Comments
	Taxation principles	13 -15	
1	Do you agree with our proposed tax principles? If not, why?	15	Yes
	Assessing the current method for setting rates	16 - 26	
2	What valuation method should be used as the basis for determining the ad valorem amounts in council rates? Should councils be given more choice in selecting a valuation method, as occurs in other states, or should a valuation method continue to be mandated?	20	<p>Whatever valuation method is selected will not assist in increasing understanding at the ratepayer level. The calculation of rates being an equation of two factors that is further constrained with a final result to be achieved limited by the rate peg. All of these issues contribute to being part of the public lack of understanding. With each valuation cycle there is a general but incorrect conception that if the values are going up by 20.0% so will my rates. This is surprising that it is still occurring even after over 30 years of rate pegging.</p> <p>Ratepayers have further difficulty in accepting that the valuations can reflect movements in relativity in an area which can result in some property's rate going up by more than the rate peg and some property's seeing rates reduce following the implementation of a new valuation base.</p> <p>Given that the rate peg limitations affects the total pool of rate income (not individual properties), a CIV basis would see significant variations year to year particularly in areas where there is a high level of redevelopment. It will not be seen to be fair or equitable if the revaluations are not undertaken on a yearly basis to reflect the changes in value of properties that have been developed or improved.</p> <p>A further issue is in regard to previously vacant land that becomes occupied with a new building erected in a year. Rate pegging will mean that the burden will shift to those properties that have been improved.</p> <p>The problem becomes one requiring a high level of administrative management and cost to undertake an annual valuation. If the rate charge were determined on a basis other than valuation it would become much</p>

more efficient and considerably less costly as it could rely on records of information already held by each Council.

If IPART were to consider disregarding the 19th century notion that the more costly the house the greater the ability to pay and move to the modern concept of user pays, there is a strong correlation to households having equal access to all Council services. This fact is recognised when determining the Domestic Waste Management Charge as the service is universal to all residential properties.

Attached at the end of this submission is a table disclosing the average rate payable by each Council in New South Wales (source OLG 2014/15 information).

The table discloses that 89.5% of Councils have an average rate of less than \$3.00 per day. The average rate should be the basis for establishing the initial annual charge. The table discloses that highest rating Council (Hunters Hill) charges \$3.89 per day. For Hunters Hill home owners this is not an excessive charge for access to all of Council's services compared to any of their other regular household bills.

The majority of ratepayers in NSW are paying much less. From the information in the table I note that 54.6% of Councils actually charge less than \$2.00 per day. Included in this group is 23.0% of Councils who charge less than \$1.00 per day. If a flat charge were adopted it would be the average rate as shown in the attached table (subject to increase by the rate peg amount).

On reflection, the level of average rate for each Council begs the question of what justifies the need to go through a convoluted poorly understood method of calculating rates. A flat charge gives certainty for ratepayers who will know what increase to expect from year to year. It also demonstrates the low cost of Council services.

On review of the average rates, one would question why there is rate pegging where the annual bill is \$500 or less. Percentage increases on low amounts of money may appear statistically high but in terms of the actual dollar increase it is very low impact.

If there is any hardship in meeting the Council charge the Act could be amended to allow monthly billing. Monthly billing is prevalent for many utility companies.

3	Should councils be required to use the Valuer General's property valuation services, or should they also be able to use a private valuation firm (as occurs in Victoria and Tasmania)?	20	If a form of property valuation is retained for calculating rates, opening up the market will provide competition and ensure a better value for money outcome for each Council. However, a paradigm change to a flat charge would overcome this issue.
4	What changes (if any) should be made to the Local Government Act to improve the use of base and minimum amounts as part of the overall rating structure?	22	A flat charge would overcome this issue.
5	What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	23	A flat charge would greatly simplify the issue and would negate the need for specialist rating personnel and multiple categories of residential rating.
6	Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	24	Yes, as there is no recognition of service accessibility.
7	What changes could be made to current rate pegging arrangements to improve the rating system, and, in particular, to better streamline the special variation process?	25	The Local Government Cost Index has a major flaw in using the State's public sector wage index. Local government has its own award base which has varied significantly from the NSW public sector index adding a significant detrimental productivity impact on the rate peg limitation. A flat charge would ensure that every ratepayer was aware of the exact impact on their budget with either the standard rate peg or a special variation. I would suggest that this would be preferable and better understood by every ratepayer..
8	What changes could be made to the rating system to better encourage urban renewal?	26	It is difficult to relate how the rating system would either encourage or discourage urban renewal. Rates are paid by property owners not developers. The market place encourages urban renewal.
9	What changes could be made to the rating system to improve councils' management of overdue rates?	26	Overdue rates would be better managed if monthly billing was an option for ratepayers. The current collection methods are cost effective from Council's point of view.
	Assessing exemptions, concessions and rebates	27 - 35	
10	Are the land uses currently exempt from paying council rates appropriate? If a current exemption should be changed, how should it be changed? For example, should it be removed or more narrowly defined, should the level of government responsible for providing the exemption be changed, or should councils be given discretion over the level of exemption?	33	In any circumstance where the non-rateable organisation uses its property portfolio to generate income the Act should be amended to remove the non-rateable status. Additionally, the Act should be amended to require non-rateable organisations to lodge an annual declaration confirming the continuing use of the property for non-rateable purposes. The Act should also be amended to provide penalties where false declarations are made.

11	To what extent should the exemptions from certain state taxes (such as payroll tax) that councils receive be considered in a review of the exemptions for certain categories of ratepayers?	33	The current exemptions should be maintained.
12	What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?	35	The concessions for eligible ratepayers should be determined and fully funded by either the Australian or NSW Government. The rebate should be increased in line with movement is the Consumer Price Index.
Freezing existing rate paths for newly merged councils		36 - 44	
13	We have interpreted the rate path freeze policy to mean that in the four years after a merger, the rating path in each pre-merger council's area will follow the same trajectory as if the merger had not occurred. Do you agree with this interpretation?	36	<p>Yes. As a ratepayer in the Mosman LGA I note that Council has a rating structure comprising of a 50% base amount and an ad valorem for residential ratepayers and a 40% base amount and an ad valorem for business ratepayers. All other Councils in both of the merger proposals where Mosman has been nominated have a rate structure comprising an ad valorem and a minimum rate.</p> <p>My concern is that it appears that a rate freeze would mean exclusion from any general legislative rating changes applicable to all other Councils, such as an increase in the base amount limitation or the adoption of a flat charge. Under the freeze this would not be available to merged councils. This is considered an unacceptable position as the ratepayers within the former Mosman area would be disadvantaged.</p>
14	<p>Within the rate path freeze period, should merged councils be permitted to apply for new special variations:</p> <ul style="list-style-type: none"> - For Crown Land added to the rating base? - To recover amounts that are 'above the cap' on development contributions set under the <i>Environmental Planning and Assessment Act 1979</i>? - To fund new infrastructure projects by levying a special rate? 	39	<p>In the first year of operations of the merged Council, 2016/17, a new elected Council will not be in place until March 2017. It is not considered appropriate that the Caretaker Administration should develop a new suite of integrated plans and expect the new Councillors to accept them as their foundation documents for the remainder of their tenure and stewardship of the area. These are matters of fundamental importance that any governing body would rightfully want to give their approval to.</p> <p>In any case, it would be unlikely that the newly elected Council could meet IPART's timeframe for lodgement of an SRV application for 2017/18.</p> <p>The newly elected Council will be focussed on developing its vision and Community Strategic Plan for the combined entity, undertaking community consultation and developing an understanding of the issues before it over the broad spectrum of operations. Significant decisions will be required by the new governing body to ensure harmonising of service delivery across the new area is in accord with their vision.</p> <p>Further, the community (and IPART) would expect a high level of consultation to be undertaken to support any application for a special rate</p>

			<p>variation. Effectively this means at the earliest any consideration for the need for a SRV application would need to be for the 2018/19 rating year - year three of the operations of the new Council. With respect these issues could be held over for one further year.</p> <p>A point of concern for Mosman residents is the fact that the infrastructure issues within the Mosman LGA have already been addressed. When the rate freeze is lifted, Mosman residents may well be required to contribute more in order to address the infrastructure backlog situation of its merger partners.</p>
15	Are there any other situations where merged councils should be able to apply for new special variations within the rate path freeze period?	39	Given the comments above, a catastrophic failure of infrastructure assets where there is no support or grants available from the State Government' the rules covering SRV applications should be relaxed should permit an urgent SRV to be lodged.
16	During the rate path freeze period, should merged councils only be able to increase base amounts and minimum amounts each year by the rate peg (adjusted for any permitted special variations)?	41	Yes, but this issue needs clarification. For base amounts the Local Government Act stipulates that it can be up to 50% of the rateable income. Is IPART's alternative suggesting this should not be the case?
17	During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either: <ul style="list-style-type: none"> - relative changes in the total land value of a rating category against other categories within the pre-merger council area, or - the rate peg (adjusted for any permitted special variations)? 	41	<p>Yes. Council under the current legislation is within its rights able to move the burden between rating categories. It would appear that the proposed rate freeze would prevent this.</p> <p>Issues arise where the actual use of a property changes. For example where a number of commercial properties become residential. The relative funding proportions of each rating category should change to match this move. Alternatively, an adjustment of the rate in the dollar to ensure the same level of contribution is received from each rate category would be required.</p>
18	Do you agree that the rate path freeze policy should act as a 'ceiling', so councils have the discretion to set their rates below this ceiling for any rating category?	41	Yes
19	What other discretions should merged councils be given in setting rates during the rate freeze period?	41	If there is a general legislative change under the Local Government Act to increase base amounts above 50% or the introduction of a flat charge, then this should be permitted.
20	We considered several options for implementing the rate path freeze policy. Our preferred option is providing the Minister for Local Government with a new instrument-making power. What are your views on this option and any other options to implement the rate path freeze policy?	44	IPART's proposal for a new ministerial instrument is an acceptable interim step.

	Establishing new, equitable rates after the 4-year freeze	45 - 49	
21	Should changes be made to the LG Act to better enable a merged council to establish a new equitable system of rating and transition to it in a fair and timely manner? If so, should the requirement to set the same residential rate within a centre of population be changed or removed?	48	The merged Councils will suffer the backlash from those ratepayers who are adversely affected when rating categories are harmonised. In this regard it would be better if the Government mandated the change, as they are the architects of the new merged Council. Accordingly, the Government should take responsibility.
22	Should approved special variations for pre-merger councils be included in the revenue base of the merged council following the 4-year rate path freeze?	49	Each of the Councils has an established rate base for 2016/17. This should be accepted as the starting point for future movements.
23	What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?	49	Consultation with the property software suppliers will need to take place to ensure that each Council's ability to comply with any new valuation basis that might be adopted can be achieved without the need for a major software rewrite.

Rank	Council	Number of Ratable Properties	Average Rate	Weekly Equivalent	Daily Equivalent
1	Hunters Hill	4,844	1,420.52	27.24	3.89
2	Kiama	9,769	1,394.82	26.75	3.82
3	Pittwater	24,700	1,369.76	26.27	3.75
4	Camden	23,069	1,296.16	24.86	3.55
5	Mosman	13,098	1,196.06	22.94	3.28
6	Wollondilly	16,586	1,179.31	22.62	3.23
7	Blue Mountains	36,664	1,176.62	22.57	3.22
8	Wollongong	78,499	1,154.45	22.14	3.16
9	Shellharbour	25,088	1,147.00	22.00	3.14
10	Tweed	38,943	1,146.73	21.99	3.14
11	Manly	19,088	1,127.57	21.62	3.09
12	Lane Cove	13,975	1,118.35	21.45	3.06
13	Albury	22,549	1,099.29	21.08	3.01
14	Lake Macquarie	79,326	1,094.66	20.99	3.00
15	Orange	17,344	1,093.87	20.98	3.00
16	Leichhardt	24,134	1,088.34	20.87	2.98
17	Sutherland	84,212	1,082.09	20.75	2.96
18	Warringah	56,257	1,070.16	20.52	2.93
19	Penrith	67,259	1,057.67	20.28	2.90
20	Woollahra	25,797	1,055.28	20.24	2.89
21	Wingecarribee	22,479	1,047.02	20.08	2.87
22	Hornsby	57,016	1,039.78	19.94	2.85
23	Randwick	50,244	1,027.31	19.70	2.81
24	Queanbeyan	16,462	1,027.21	19.70	2.81
25	Burwood	11,897	1,024.46	19.65	2.81
26	Liverpool	60,738	1,011.64	19.40	2.77
27	Maitland	29,430	1,011.52	19.40	2.77
28	The Hills	62,179	978.75	18.77	2.68
29	Newcastle	65,480	972.13	18.64	2.66
30	Waverley	29,833	970.80	18.62	2.66
31	Kogarah	22,071	967.29	18.55	2.65
32	Hawkesbury	24,873	963.62	18.48	2.64
33	Port Macquarie Hastings	34,038	960.49	18.42	2.63
34	Ashfield	15,947	949.08	18.20	2.60
35	Campbelltown	54,148	937.54	17.98	2.57
36	Canterbury	47,355	937.37	17.98	2.57
37	Cessnock	24,034	929.18	17.82	2.55
38	Wyong	64,468	920.86	17.66	2.52
39	Byron	14,781	917.73	17.60	2.51
40	Bankstown	63,103	908.66	17.43	2.49
41	Great Lakes	26,366	902.18	17.30	2.47
42	Lismore	18,307	901.08	17.28	2.47
43	Blacktown	105,897	898.18	17.23	2.46
44	Canada Bay	32,786	893.52	17.14	2.45
45	Hurstville	31,011	883.65	16.95	2.42
46	Coffs harbour	30,948	875.79	16.80	2.40
47	Port Stephens	32,126	874.99	16.78	2.40
48	Dubbo	16,790	864.32	16.58	2.37
49	Armidale Dumaresq	10,250	856.10	16.42	2.35
50	Rockdale	39,590	850.69	16.31	2.33

Rank	Council	Number of Ratable Properties	Average Rate	Weekly Equivalent	Daily Equivalent
51	Shoalhaven	55,895	848.88	16.28	2.33
52	Gosford	70,849	846.32	16.23	2.32
53	Wagga Wagga	26,353	840.82	16.13	2.30
54	Bega Valley	19,422	838.48	16.08	2.30
55	Greater Taree	24,787	830.31	15.92	2.27
56	Willoughby	29,829	809.04	15.52	2.22
57	Strathfield	13,127	804.98	15.44	2.21
58	Marrickville	31,954	799.93	15.34	2.19
59	Bathurst Regional	17,897	793.99	15.23	2.18
60	Parramatta	63,020	792.95	15.21	2.17
61	Clarence Valley	25,694	787.62	15.11	2.16
62	Broken Hill	10,211	779.94	14.96	2.14
63	Palerang	7,656	771.42	14.79	2.11
64	Bellingen	5,963	767.06	14.71	2.10
65	Goulburn Mulwaree	14,447	763.00	14.63	2.09
66	Tamworth Regional	25,978	754.29	14.47	2.07
67	Deniliquin	3,832	744.26	14.27	2.04
68	Eurobodalla	24,682	736.77	14.13	2.02
69	Kempsey	14,521	726.74	13.94	1.99
70	Nambucca	9,249	726.67	13.94	1.99
71	Ballina	17,441	721.06	13.83	1.98
72	Holroyd	36,721	720.62	13.82	1.97
73	Fairfield	61,372	692.73	13.29	1.90
74	Griffith	10,815	692.09	13.27	1.90
75	Ryde	40,562	675.24	12.95	1.85
76	Mid-Western Regional	12,772	668.18	12.81	1.83
77	Singleton	10,485	650.36	12.47	1.78
78	Morees Plains	6,547	645.94	12.39	1.77
79	Ku-ring-gai	40,894	629.73	12.08	1.73
80	Leeton	5,148	623.93	11.97	1.71
81	Muswellbrook	7,526	618.26	11.86	1.69
82	Botany Bay	16,004	604.04	11.58	1.65
83	Auburn	27,219	586.13	11.24	1.61
84	Inverell	7,785	585.23	11.22	1.60
85	Gloucester	3,133	583.79	11.20	1.60
86	Richmond Valley	10,438	583.16	11.18	1.60
87	Cooma Monaro	5,918	582.29	11.17	1.60
88	Dungog	4,689	564.09	10.82	1.55
89	Lithgow	11,047	562.96	10.80	1.54
90	Yass Valley	6,978	545.43	10.46	1.49
91	Gunnedah	5,955	541.23	10.38	1.48
92	City of Sydney	106,215	537.30	10.30	1.47
93	Narrabri	7,227	528.44	10.13	1.45
94	North Sydney	36,881	526.64	10.10	1.44
95	Parkes	7,805	517.75	9.93	1.42
96	Snowy River	5,831	508.32	9.75	1.39
97	Upper Hunter	7,227	482.63	9.26	1.32
98	Glenn Innes Severn	5,110	479.65	9.20	1.31
99	Cootamundra	4,089	471.75	9.05	1.29
100	Berrigan	4,941	467.92	8.97	1.28
101	Uralla	2,914	466.37	8.94	1.28

Rank	Council	Number of Ratable Properties	Average Rate	Weekly Equivalent	Daily Equivalent
102	Forbes	5,120	461.13	8.84	1.26
103	Wellington	4,545	458.97	8.80	1.26
104	Tumut	6,329	437.98	8.40	1.20
105	Young	6,539	436.61	8.37	1.20
106	Liverpool Plains	4,217	419.73	8.05	1.15
107	Wentworth	3,734	410.55	7.87	1.12
108	Murray	4,531	408.74	7.84	1.12
109	Junee	2,936	408.38	7.83	1.12
110	Kyogle	5,120	403.13	7.73	1.10
111	Corowa	6,361	403.08	7.73	1.10
112	Blayney	3,756	389.51	7.47	1.07
113	Hay	1,921	387.30	7.43	1.06
114	Cabonne	6,854	385.91	7.40	1.06
115	Cobar	2,767	377.67	7.24	1.03
116	Narrandera	3,576	364.09	6.98	1.00
117	Narromine	3,347	354.66	6.80	0.97
118	Temora	3,787	324.27	6.22	0.89
119	Bombala	1,899	317.54	6.09	0.87
120	Warrumbungle	5,959	314.31	6.03	0.86
121	Gilgandra	2,337	308.94	5.92	0.85
122	Wakool	2,829	303.64	5.82	0.83
123	Greater Hume	6,345	297.40	5.70	0.81
124	Oberon	3,556	297.24	5.70	0.81
125	Cowra	7,102	289.21	5.55	0.79
126	Tenterfield	4,707	283.83	5.44	0.78
127	Warren	1,985	280.74	5.38	0.77
128	Boorowa	1,891	266.53	5.11	0.73
129	Guyra	2,427	264.11	5.07	0.72
130	Walgett	4,923	251.47	4.82	0.69
131	Harden	2,397	249.48	4.78	0.68
132	Bland	4,031	247.58	4.75	0.68
133	Weddin	2,570	233.46	4.48	0.64
134	Gwydir	2,999	233.08	4.47	0.64
135	Lachlan	4,164	229.11	4.39	0.63
136	Upper Lachlan	5,815	228.37	4.38	0.63
137	Gundagai	2,538	226.16	4.34	0.62
138	Tumbarumba	2,521	213.01	4.09	0.58
139	Walcha	1,818	211.22	4.05	0.58
140	Bourke	1,735	204.03	3.91	0.56
141	Coolamon	2,815	194.67	3.73	0.53
142	Coonamble	2,567	193.61	3.71	0.53
143	Central Darling	1,606	179.95	3.45	0.49
144	Carrathool	1,954	170.93	3.28	0.47
145	Bogan	1,941	135.50	2.60	0.37
146	Murrumbidgee	1,327	128.86	2.47	0.35
147	Balranald	1,527	127.70	2.45	0.35
148	Lockhardt	2,540	113.78	2.18	0.31
149	Conargo	1,161	87.86	1.68	0.24
150	Jerilderie	1,100	87.27	1.67	0.24
151	Brewarrina	961	83.25	1.60	0.23
152	Urana	1,329	55.68	1.07	0.15