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Reference: 2016/123166

11 May 2016



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

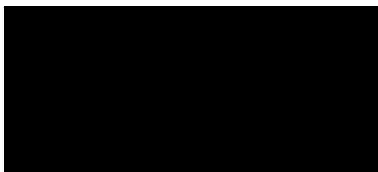
Dear Sir/Madam

Review of the Local Government Rating System - Issues Paper

Ku-ring-gai Council welcomes the opportunity to submit a response to the questions posed in the "Review of Local Government Rating System – Issues Paper".

Please find attached our comments in this matter.

Yours faithfully



John McKee
General Manager

Submission to IPART on the “Issues Paper - Review of Local Government Rating System” – May 2016

No	Issue on which comment is sought	Pages	Ku-ring-gai Council Comments
	Taxation principles	13 -15	
1	Do you agree with our proposed tax principles? If not, why?	15	The proposed tax principles are supported.
	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	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.
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	The State Government is in the process of mandating the use of the Auditor General for external audit and removing the option to use private audit firms. In this context it would seem odd at this point in time to open up the Valuer General's services to private firms. In order to ensure consistency in valuations and limit the scope for challenge and disputes with ratepayers, it is recommended that the Valuer General continue as the provider of valuation services.
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	The use of minimums and base amounts are efficient and simple, and allow the benefits received by people to more closely reflect the benefits they receive. The legislated ceiling for minimums and base amounts should be removed to allow Councils to more closely align the level of rates paid with the benefits received.
5	What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	23	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 should the mergers proposed by the State Government proceed. Similarly, councils should also be able to sub categorise by the type of residential accommodation such as apartments or single dwellings. Councils should be able to sub categorise business property by type of

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			use across the whole of its area rather than have a need to have different sub categories by centre of activity as is the case now. An example of property use would be commercial and light industrial.
6	Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	24	The rates levied by a local council should be used within that area, and should not be used to fund the services within another local government area.
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 adoption of the “Earned Exemption” from Rate Pegging as per the Panel Report (p.45) without the need for IPART approval would be the preferred option. This would enable the Minister to exempt from rate-pegging individual councils that have demonstrated a consistently high level of fiscal responsibility and sound financial management in accordance with IPR Guidelines.
8	What changes could be made to the rating system to better encourage urban renewal?	26	Enabling councils to sub categorise by the type of residential accommodation such as apartments and single dwellings could provide more equitable rating and provide funding in urban renewal areas.
9	What changes could be made to the rating system to improve councils' management of overdue rates?	26	Councils should be able to enter into multiple payment options. This would allow for monthly, fortnightly or weekly payments rather than just quarterly instalments Interest charges should be set at a level that acts as an incentive to paying rates ahead of other household and business debt.
	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	It is not equitable for users of council services to be fully subsidised by local government via rates exemptions. Subsidies should be funded by the state or federal governments rather than local ratepayers. If subsidies remain, they should be in the form of a partial rebate rather than full exemptions. Such a rebate should be standardised across local government areas to ensure consistency and reduce the likelihood of localised disputes and costly and time intensive negotiations and lobbying. As a minimum, all property used for residential or commercial purposes should be rateable regardless of ownership.

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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	Exemptions should remain in place to support the sustainability of local government.
12	What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?	35	The subsidy of pensioners should not be a local government responsibility. Concessions to pensioners should be fully funded by the state or federal government.
	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	IPART's interpretation of the State Government's intention is not disputed but the policy is only supported in part.
14	Within the rate path freeze period, should merged councils be permitted to apply for new special variations: <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 Environmental Planning and Assessment Act 1979? – To fund new infrastructure projects by levying a special rate? 	39	Yes, to all, as long as all merged Councils have moved to a common valuation base date. This would allow the equitable levying of special variations across the merged Councils.
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	Councils should be allowed to apply for any new special variations that have community support. In particular, and to avoid possibly unintended consequences, the continuation of special variations that expire within the four year rate path freeze period should be permissible subject to community support. Ku-ring-gai Council has a current 10 year Environmental Levy which will expire in 2018/19. Under the rates path freeze, it could not be renewed until 2020/21, a highly detrimental outcome for the environment and a significant impact on relevant staff who would lose their employment
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	No, Councils should be allowed to set base amounts and minimums in line with their existing rating policies/structures. For example, this would allow Ku-ring-gai Council to maintain a 50% base amount. If only the rate peg applied the 50% base amount may not be reached.

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17	<p>During the rate path freeze period, should merged councils be able to allocate changes to the rating burden across rating categories by either:</p> <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	Changes to the rating burden across categories should be entirely at each Council’s discretion. The limited options listed do not take into account existing council rating structures and how the rating burden is proportioned within individual pre merged Councils. Council rating structures are often more complex with the ordinary rates being split via a percentage across categories rather than just the two options mentioned.
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	Not agreed. Setting rates below the existing rates path could change the relative rating burden between the former council areas. This would not be consistent with the policy of otherwise fixing the rate paths and not permitting adjustments that might change the rating mix.
19	What other discretions should merged councils be given in setting rates during the rate freeze period?	41	During the rates path freeze period councils should be able to change the rating burden across rating categories as each council sees fit.
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	The power to implement the rates path freeze should be entirely through amendments to the Local Government Act and Regulation to provide certainty, transparency and accountability.
	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 current restriction on residential categorisation that allows only one category within a centre of population should be removed, assisting in the rates equalisation process across Councils. 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 should the mergers proposed by the State Government proceed.
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	Approved special variations should be included in the overall revenue base of the merged council following the rates freeze period.
23	What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?	49	Merged Councils should have a revaluation in year two so all properties are on the same valuation base date.