

IPART Issues Paper - Review of Local Government Rating System

Comment [k1]:

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	Generally, however the benefits principle is weak and is currently capped at a maximum base of 50%. Also the correlation to wealth and the ability to pay does not take into account the asset rich, cash poor.
	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	CIV would be more equitable however the cost implication for setting up the necessary databases of information may be cost prohibitive. Allowing choice would be good for some areas depending on areas, values and strata composition.
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	Unless moving away from UV the current system of using the VG seems to work and be cost effective.
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	Rates modelling under the current legislation (Base Rates capped at 50%) shows that some merged councils will be seriously affected when any rate freeze period ends due to large fluctuations in land values. Consideration should be given to increasing the cap to say 70% to increase equity and improve the benefits principle.
5	What changes could be made to rating categories? Should further rating categories or subcategories be introduced? What benefits would this provide?	23	Allowing Councils to apply for additional categories where necessary has merit on a case by case scenario. A centre of population needs further clarification.
6	Does the current rating system cause any equity and efficiency issues associated with the rating burden across communities?	24	YES Metropolitan areas where there are high percentages of units place an inequitable burden on residential homes. Thus the need to increase the base rate cap to say 70%.

			This would give Councils in these circumstance options to determine equity issues through consultation.
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	Rate Pegging has become irrelevant with the implementation of IP&R. However Rate Pegging is a politically acceptable alternative for Councils that can't meet IP&R guidelines. The calculation of rate pegging currently does not meet the basket of goods (financial need) in Councils as employment costs tied to award increases and mandated salary administration systems outstrip rate increases. Except where a Council has substantial population growth.
8	What changes could be made to the rating system to better encourage urban renewal?	26	CIV for rating could discourage urban renewal. Urban renewal should be encouraged through appropriate planning instruments.
9	What changes could be made to the rating system to improve councils' management of overdue rates?	26	No comment.
	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	There is a need to look at the usage of the land exempted as some Universities, Schools and Churches etc. Carry out commercial activities that should not be exempt.
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	No change to the exemption of Payroll Tax.
12	What should the objectives of the pensioner concession scheme be? How could the current pensioner concession scheme be improved?	35	Pensioner Concessions should be funded by the State and increased annually by CPI.
	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	YES
14	Within the rate path freeze period, should merged councils be permitted to	39	YES

	<p>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? 		Four years is too long for the rate freeze as expected harmonisation of service levels and infrastructure backlogs will need to be addressed.
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	<p>YES</p> <p>Councils should be able to apply for and set their own rate increase where they meet the IP&R guidelines.</p>
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	<p>NO</p> <p>Councils should be able to apply for and set their own rate increase where they meet the IP&R guidelines.</p>
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	<p>YES</p> <p>This would seem business as usual for changes between say business and residential where units are being built on prior commercial sites.</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	Councils should be able to apply for and set their own rate increase where they meet the IP&R guidelines.
20	<p>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?</p>	44	Agree
	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	A centre of population needs further clarification.

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	Applications should be remade as circumstances may have changed.
23	What other rating issues might arise for merged councils after the 4-year rate path freeze period expires?	49	The main issue will be equity